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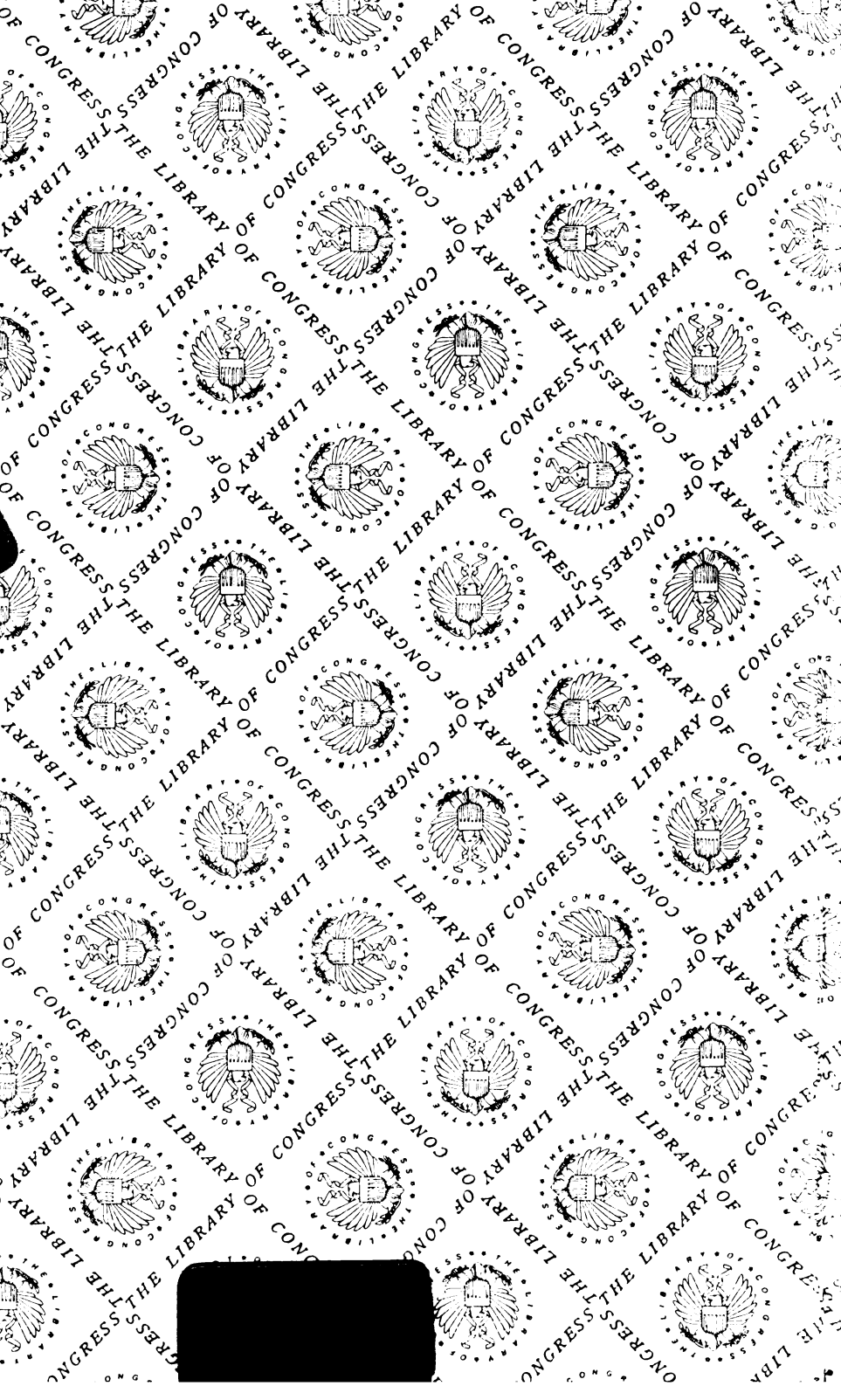
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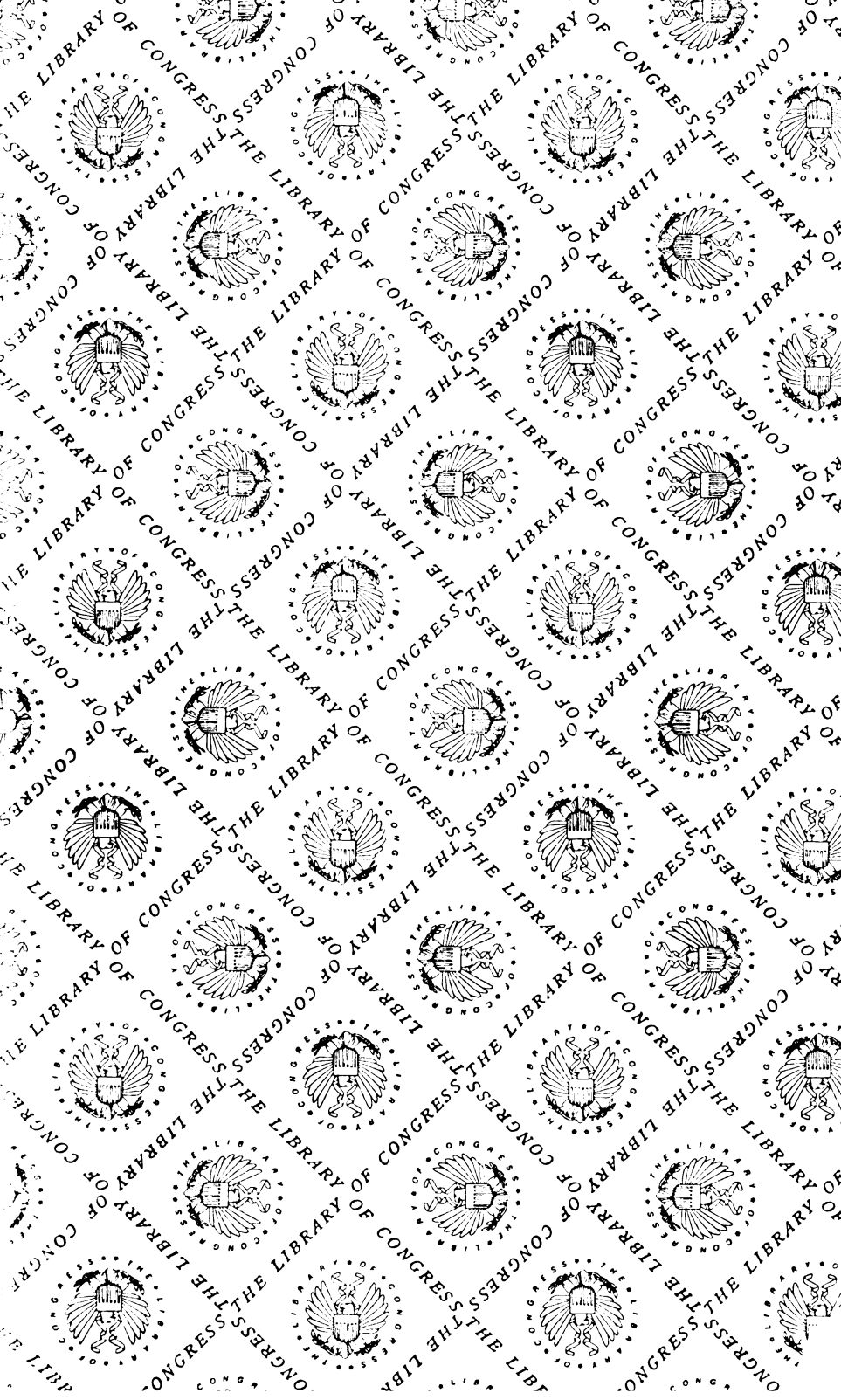
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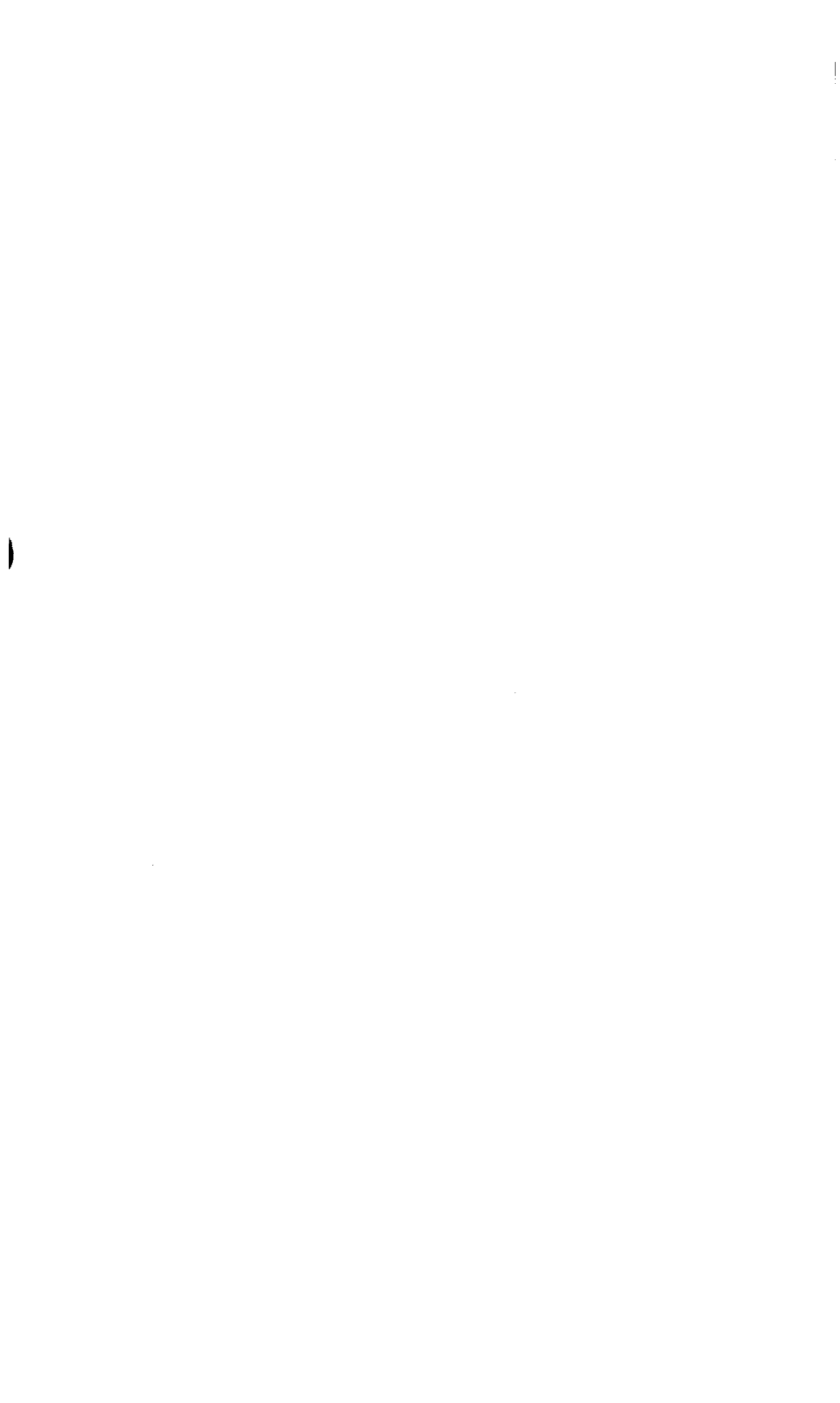
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LOANING MONEY IN THE DISTRICT OF COLUMBIA

HEARINGS

U.S. Congress. Senate, BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON THE DISTRICT OF COLUMBIA, UNITED STATES SENATE

SIXTY-FOURTH CONGRESS

FIRST SESSION

ON

S. 4661

A BILL TO AMEND THE ACT ENTITLED "AN ACT TO REGULATE THE BUSINESS
OF LOANING MONEY ON SECURITY OF ANY KIND BY PERSONS, FIRMS,
AND CORPORATIONS OTHER THAN NATIONAL BANKS, LICENSED
BANKERS, TRUST COMPANIES, SAVINGS BANKS, BUILDING
AND LOAN ASSOCIATIONS, AND REAL ESTATE
BROKERS IN THE DISTRICT OF COLUMBIA,"
APPROVED FEBRUARY 4, 1913

Printed for the use of the Committee on the District of Columbia



WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

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SUBCOMMITTEE ON S. 4661.

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LOANING MONEY IN THE DISTRICT OF COLUMBIA.

FRIDAY, APRIL 21, 1916.

UNITED STATES SENATE,
COMMITTEE ON THE DISTRICT OF COLUMBIA,
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., in the committee room, Capitol, Senator John Walter Smith, presiding.

Present: Senators Smith of Maryland (chairman), Pomerene, Smith of Arizona, Hollis, James, Saulsbury, Dillingham, and Jones.

Also present: William H. Baldwin, Rear Admiral Richard Wainwright, United States Navy (retired), Mrs. Richard Wainwright, Mrs. Archibald Hopkins. Hon. Henry White, Dr. George M. Kober, George S. Wilson, Edward Byrne, Evan H. Tucker, Walter S. Ufford, J. T. Exnicios, and Louis Ottenberg.

The committee thereupon proceeded to consider the bill (S. 4661) to amend an act entitled "An act to regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real estate brokers in the District of Columbia." approved February 4, 1913.

The CHAIRMAN. Gentlemen, the object of this meeting is to discuss the bill S. 4661, which the clerk will insert in the record.

(The bill referred to is here printed in full, as follows:)

[S. 4661, Sixty-fourth Congress, first session.]

A BILL To amend the act entitled "An act to regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real estate brokers in the District of Columbia," approved February fourth, nineteen hundred and thirteen.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the act entitled "An act to regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real estate brokers in the District of Columbia," approved February fourth, nineteen hundred and thirteen, be, and the same is hereby, amended as follows:

By adding after the word "intangible" in section one of said act the words "or without any security."

By adding at the end of section one of said act the following: "When an application for a loan is made within the District of Columbia and the money is advanced without said District in consequence, directly or indirectly, of such application, the transaction shall be deemed a loan made within such District, and all the parties within said District aiding in making it shall be subject to the provisions of this act. The purchasing or discounting of notes or loans of \$200 or less, or the indorsing, guaranteeing, or becoming surety for the payment of any such notes or loans for compensation or for value of any kind, or the furnishing of security therefor, or procuring any indorser, guarantor, or security therefor, for compensation or value of any kind, shall be considered to be engaging in the business of loaning money within the provisions of this

act. Any person, firm, voluntary association, joint-stock company, incorporated society or corporation directly or indirectly engaged, or seeking to engage, in the business of negotiating, arranging, or aiding the borrower or lender in procuring or making loans, whether such loans are actually made by such person, firm, voluntary association, joint-stock company, incorporated society or corporation, or by other parties, or are not made, shall be deemed to be engaged in the business of making loans, and shall be subject to the provisions of this act."

By inserting after the word "with" where it last occurs in section four of said act the words "an income, or profit and loss statement for the year and."

By inserting after the word "receive" where it occurs in line two of section five of said act the words "either directly or indirectly, or by means of any collateral or contemporaneous arrangement."

By substituting for the word "one" where it first occurs in section five of said act the word "two."

By adding after the word "made" where it occurs in line eight of section five of said act the following words: "and shall be computed only on unpaid balances."

By inserting after the word "sum" where it occurs in line twenty-five of section five of said act the following words: "and all usurious interest and forfeitures on loans heretofore or hereafter made, under this or other laws, may be collected or set off by the borrower as are other debts or claims."

By amending section eleven of said act to read as follows:

"Sec. 11. That the enforcement of this act shall be intrusted to the Commissioners of the District of Columbia, and they are hereby authorized and empowered to make all rules and regulations necessary in their judgment for the conduct of such business and the enforcement of this act in addition hereto and not inconsistent herewith, and anyone failing to comply with said rules and regulations shall be subject to the punishments provided in section seven of this act."

The CHAIRMAN. Those in favor of this bill have asked for a hearing before the committee, which we have granted. I understand that Mr. Baldwin will represent those present in regard to this matter; and I will ask him, while we do not want to hurry him unnecessarily, to be as brief as possible, as there are other matters before the committee for consideration.

Senator DILLINGHAM. May I suggest that the question in which the committee are most interested is the question of the reasonableness of the 2 per cent rate. That is where the objection to the bill mostly lies, I think.

The CHAIRMAN. That seems to be the objection. The committee are of the impression that 2 per cent a month is an excessive rate of interest to charge; and the committee would like to hear from you gentlemen in regard to the rates charged elsewhere, and why 2 per cent is asked, instead of the amount that is now permitted to be charged under the old law, 1 per cent.

We will hear Mr. William H. Baldwin.

STATEMENT OF MR. WILLIAM H. BALDWIN.

Mr. BALDWIN. Mr. Chairman, I shall try to make the matter as clear as I can, and to be as brief as possible.

The CHAIRMAN. Whom do you represent in this matter, Mr. Baldwin?

Mr. BALDWIN. I represent the citizens' committee, and I was going to speak of that first.

Here is a list of the members of the citizens' committee, which has been in existence for more than six years, trying to get an adequate loan-shark law—one which will prevent exorbitant rates, and yet will permit the loaning of money at the most reasonable rates possible. Several of the members have died since—Justice Brewer, Mr. Sleman, Mr. Riggs, and others—but this is the committee as it stands at

present. There are 19 of them. We lost ex-Corporation Counsel Thomas, who was an admirable man, within the year.

Senator DILLINGHAM. You will insert the list in the record?

Mr. BALDWIN. Yes, sir.

(The list referred to is here printed, as follows:)

MEMBERS OF THE CITIZENS' COMMITTEE ON THE LOAN-SHARK QUESTION.

Mr. Emmet L. Adams, 503 B Street NE.
 Mr. William H. Baldwin, 1415 Twenty-first Street, chairman.
 Mr. John B. Colpoys, 533 Tennessee Avenue NE.
 Mr. John Joy Edson, Washington Loan & Trust.
 Mr. William J. Eynon, 512 Eleventh Street NW.
 Mr. Charles E. Foster, The Portland.
 Mr. H. C. Gauss, 1403 Webster Street NW.
 Mr. Gilbert H. Grosvenor, National Geographic Society.
 Mr. William F. Gude, 1214 F Street NW.
 Mrs. Archibald Hopkins, 1826 Massachusetts Avenue NW.
 Dr. George M. Kober, 1819 Q Street NW.
 Mr. Cuno H. Rudolph, Second National Bank.
 Mr. Evan H. Tucker, 720 A Street NE.
 Mr. Walter S. Ufford, 923 H Street NW.
 Rev. John Van Schaick, 1417 Massachusetts Avenue NW.
 Mrs. Richard Wainwright, 1264 New Hampshire Avenue.
 Mr. Henry L. West, 2708 Twenty-seventh Street NW.
 Mr. Henry White, 1624 Crescent Place.
 Mr. George S. Wilson, room 319, District Building, secretary.

Mr. BALDWIN. I want also to say that this bill has the unanimous indorsement of the Chamber of Commerce the Board of Trade, the Federation of Citizens' Associations, the Monday Evening Club, the Associated Charities, and the Woman's Welfare Branch of the National Civic Federation, so that it is as nearly a unanimous expression of the opinion of the civic bodies, and most representative bodies of Washington, as you could have. I know of no one who is opposed to the bill in Washington except some people who think that the rate ought to be still higher than we ask for, and I judge that the committee would not be interested in that. or inclined to listen to any arguments on that score.

Senator JONES. Have any labor organizations expressed themselves?

Mr. BALDWIN. Some of the labor organizations have expressed themselves as desiring a higher rate—3 per cent per month for loans under \$50.

Senator JONES. Do you know what organizations?

Mr. BALDWIN. I think the Central Labor Union. We have some of the labor men on our committee, but we have no objection, let me say, to that view. If you want to make the rate 3 per cent on some of the smaller loans, our committee has no objection.

Senator JAMES. Is it not unusual for borrowers to want to increase the rate of interest on themselves?

Mr. BALDWIN. Yes, sir. That is the paradox that I am trying to get at here, and to explain why we help a man by raising the rate; but if you will bear with me I will try to make it clear.

I submit here some letters that were written about this bill. There was an identical bill introduced in the House by Mr. Page. The following are copies of some letters that were written, indorsing the bill, identical with the bill we are considering, from these organizations of which I have spoken.

(The letters referred to above are here printed, as follows:)

LETTERS INDORSING THE AMENDMENT TO THE LOAN-SHARK LAW, H. R. 5782, BY MR. PAGE IN THE HOUSE, S. 4661, BY MR. SMITH OF MARYLAND IN THE SENATE.

BOARD OF TRADE.

FEBRUARY 15, 1916.

Referring to H. R. 5782, being a bill to amend the act entitled "An act to regulate the business of loaning money on security," etc., in the District of Columbia, I beg to state as chairman of the committee on law of the board of trade that this bill or one identical was nearly one year ago fully approved by the board of trade of the District of Columbia in open session, after a report favorable thereto by my committee. The committee on law was instructed by the board to lend its aid to the enactment of the bill into law.

Very respectfully,

A. A. BIRNEY,
Chairman Committee on Law.

MONDAY EVENING CLUB.

The executive committee of the Monday Evening Club has this afternoon passed a resolution expressing its sincere appreciation of the personal interest and support which you are giving to the proposed amendments to the so-called loan-shark bill, H. R. 5782.

Events have shown that in the regulation of loaning money to necessitous borrowers, a rate of interest has been fixed which made the business unprofitable for a city like Washington. We, therefore, sincerely trust that the amendments permitting a 2 per cent rate will be adopted both by the House and Senate.

If there is anything that the Monday Evening Club can do to strengthen your hands in creating public sentiment in support of the proposed amendments, please command us.

Again thanking you, on behalf of the club,

Very respectfully,

EXECUTIVE COMMITTEE,
Per WALTER S. UFFORD,
President.

(This confirms the resolution of the Monday Evening Club May 17, 1915, indorsing the bill in the exact form in which it was afterwards introduced by Senator Smith.)

ASSOCIATED CHARITIES.

FEBRUARY 10, 1916.

At a meeting of the board of managers of the Associated Charities, held yesterday afternoon, the board directed its president and secretary to express to you our appreciation of your efforts in behalf of the bill H. R. 5782, introduced by you, which would establish a rate of 2 per cent on small loans in the District of Columbia.

This board is on record as giving its hearty support to such legislation, and expresses the hope that you will be successful in having the bill enacted into law at an early date.

On behalf of the board,

Very respectfully,

CUNO H. RUDOLPH, *President.*
WALTER S. UFFORD, *Secretary.*

FEDERATION OF CITIZENS' ASSOCIATIONS.

MARCH 6, 1916.

As president of the Federation of Citizens' Associations, I take pleasure in informing you that, at the regular meeting of the federation, held Saturday night, the 4th instant, a resolution was adopted approving the bill introduced by you providing for interest at the rate of 2 per cent per month on small loans in the District of Columbia. It is the hope of the federation that the Page bill will be enacted into law.

Respectfully,

EDWARD F. COLLADAY,
President Federation of Citizens' Associations.

CHAMBER OF COMMERCE.

MARCH 15, 1916.

The chamber of commerce last night adopted unanimously the report of the committee on municipal legislation on H. R. 5782 and S. 4661 (identical bills) to advance the rate on lending of money in the District.

The committee recommended and the chamber indorsed heartily these bills and urge their enactment.

I was directed to communicate this to you.

Respectfully,

THOMAS GRANT, *Secretary.*

In connection with this I want to emphasize this point: We have been talking a good deal about suffrage in the District lately, and some Senators have been of the opinion that we ought to have suffrage here, so as to express the views of the District. This is as near an expression of the kind that you would get by suffrage as anything we could have, as nearly unanimous as anything that I know of, in favor of raising this rate to at least 2 per cent. I know of no one who is against it.

I ought to say, also, that the commissioners are earnestly in favor of this bill, and have written a letter, I think, to Senator Smith, urging that the bill be passed. At least, they told me that they had.

As to the rate, Mr. Commissioner Brownlow handed me some time since for consideration a letter from Mr. Herbert Quick, who is interested in rural credits. Perhaps Senator Hollis would be interested in that general subject. In this letter Mr. Quick says that the loan-shark business is quite as bad in the rural districts as anywhere else, but there are two sides to it. He says [reading]:

Where interest rates—which in the chattel-loan business consist very much more in wages and insurance—

Mr. Quick has the idea there that it is not simply the interest, it is the cost of making the loans and insurance for risks more than the real interest—

fall below the line of profits the farmers can get no money at all. You are perfectly familiar with this principle.

I wrote Mr. Quick about it, and he told me that he had written an article for the Saturday Evening Post, which I will insert.

(The article referred to is here printed, as follows:)

BERKELEY SPRINGS, W. VA., *February 5, 1916.*

MR. LOUIS BROWNLOW,
Commissioner, Washington, D. C.

DEAR LOUIS: I saw in the Times a day or two ago a statement to the effect that your commission had decided that 1 per cent a month is less than chattel loans can be obtained for in the District and that an increase over that amount is deemed necessary.

If you have anything which you can let me have, or which you can write me, giving the basis on which this decision was made, it will help me in an article on rural credits which I am preparing. The loan-shark business is quite as bad in the rural districts as anywhere else, but there are two sides to it. Where interest rates—which in the chattel-loan business consists very much more in wages and insurance for risk than in real interest—fall below the line of profits the farmers can get no money at all. You are perfectly familiar with this principle.

The fact that your commission made an investigation and came to a decision will be a good thing for me to have in mind in writing on the subject.

Yours, sincerely,

HERBERT QUICK.

I want to show you, just at a glance here, that this is the way the loan business was in this city when we started [exhibiting news-

paper advertisements to the committee]. There is a third of a page, nearly half a page, of the paper, with advertisements of more than 20 concerns saying, "Come in and get your Christmas money," and so on, and the rates ran as high as 470 per cent, some of them. I know a man who paid a loan here, on which he paid 470 per cent interest per annum. Here is what we have it reduced to to-day [exhibiting another advertisement to the committee]. We have reduced the advertisements now to this—just one little card down at the bottom; but while that is a small card in space it is a very large card in the proportion of the business. It represents, perhaps nearly half of what was going on at that time—the advertisement which appears in the morning papers of Mr. Horning, loans at the other end of the Long Bridge, with free automobiles from his office at Ninth and D Streets.

Senator JONES. He is the man who conducts his business over here in Virginia because of this act?

Mr. BALDWIN. Yes, sir; because of this act. It is an incongruous position to have him have to do that because he can not do business in the District.

Senator JAMES. Did your committee advocate the present law, 1 per cent?

Mr. BALDWIN. No, sir; not 1 per cent. We objected to the 1 per cent, but we accepted it in order to secure the enactment of the law which would stop these extortions.

The CHAIRMAN. That would stop the man across the bridge from charging 3 per cent?

Mr. BALDWIN. No, I mean the exorbitant rates then charged here.

Senator DILLINGHAM. I may say that the committee advocated substantially the law that is on the books, but they recommended a 2 per cent, or a higher rate. I made the report for the committee to the Senate; but in the Senate there was a feeling that 2 per cent a month was an injustice to the borrower, and, as a matter of compromise, it was reduced it to 1 per cent. That is substantially the history of the legislation.

Senator JAMES. The present law, however, did serve a good purpose, because it drove these rates of interest down from the maximum of 470 per cent, as you state, to 3 per cent, and you have to go across the river to get that, do you not?

Mr. BALDWIN. Sometimes you do; yes, sir.

Senator JAMES. You do always, unless they violate the law?

Mr. BALDWIN. Yes; and the law is being violated.

The CHAIRMAN. I understood you to tell me, Mr. Baldwin, that there were no loan-shark offices here at all now.

Mr. BALDWIN. There are no open offices that are doing a loan business. It has served that purpose, and I am glad of it. It took much longer than we expected to make the law effective, and the loan sharks here got probably \$100,000 more than I think they ought to have gotten if we could have gone right on and pushed them out; but it has become unhealthy to do the business here, and they have finally gone over the line to Virginia, where there are three doing business with District people now. I will get to that a little later, though.

About the bill, it was introduced away back on December 20, 1909, and this committee was formed just after that. Senator Dillingham

will remember that the Senate committee reported it out then with the rate reduced from 2 to $1\frac{1}{2}$ per cent, and our committee went to them and said: "This will not do. The people will not do the business at $1\frac{1}{2}$ per cent." They thereupon withdrew the bill and reported it at 2 per cent, and it was passed on April 7, 1910, at 2 per cent.

Senator JONES. That is, through the Senate?

Mr. BALDWIN. Through the Senate. On May 18, 1910, it was approved unanimously by the District Committee of the House after a full hearing, and its passage was recommended, but it was delayed; and on March 4, 1911, nearly a year later, that Congress adjourned, doing nothing. I am sorry to say that, as you can see here, one of the advocates of the loan sharks at that time was an ex-Senator of the United States. I do not know what they paid him, but it was sufficient to defeat that bill when it had been passed by the Senate and unanimously recommended by the House committee. We saw Speaker Cannon, and got him to say that he would recognize the man in charge of the bill, and we were told to go home and go to sleep by the "whip" of the House, that it would pass. The man who had charge of it was away, however, when the last night of the session came, when they expected to pass it, and it did not pass.

That was a bill at the 2 per cent rate for small loans, and it did not include the pawnbrokers. They were then doing business under a law which had been in existence for some years, and charging 3 per cent; and ex-Senator Thurston, as you will find in the hearing, found fault with us for wanting to have the business done at 2 per cent when pawnbrokers were allowed to charge 3 per cent. We told him that there was no objection to reducing the rate that could be charged by pawnbrokers, but we did not want to have any more trouble than we could avoid at that time. But that reasonable bill, at 2 per cent, for which we are still asking, was defeated at that time under those circumstances by the influence of the loan sharks.

On August 19, 1911, that summer the Senate passed the bill in the special session of the next Congress, with the rate reduced to $1\frac{1}{2}$ per cent per month. Senator Dillingham will remember about that.

On February 12, 1912—that is, the next year—in regular session, the House bill was passed, but with the rate reduced to 1 per cent; and I may say that I think they thought they were benefiting the poor borrowers at that time by cutting down what seemed like a high rate, and what must seem like a high rate to anyone who has not given special attention to this subject. The House bill as passed included pawnbrokers.

On April 23, 1912, the Senate agreed to the rate of 1 per cent per month in the House bill, but sent it to conference on the question of including the pawnbrokers, on which they were not agreed. That bill stayed in conference for more than eight months. I have never known any other instance of that kind; but the committee was not strongly in favor of it, I will say, because they thought no one could do business at 1 per cent. We were sorry about it, and there seemed to be very little use in passing the bill, so far as the lending of money was concerned; but after full consideration it seemed to us that we did need the restraint here which has since driven the people so largely out of business, so we asked to have it passed.

To prevent misunderstanding as to the position of our committee, however, we wrote to the conferees of both the Senate and House,

declaring that the rate fixed was so low as to defeat one main purpose of the bill, and that it was likely to work a hardship on many poor people who, at that rate, would be wholly unable to get the money of which they were in urgent need; but that the bill ought to pass, because pawnbrokers' loans can be made at an even lower rate than others.

(The letters are here printed, as follows:)

JANUARY 7, 1913.

HON. WILLIAM P. DILLINGHAM,
United States Senate, Washington, D. C.

SIR: In reference to the loan-shark bill now under consideration, I regret that the rate of interest has been reduced to 1 per cent, because I feel sure that the mistaken kindness will work a hardship on many poor people who, at that rate, will be wholly unable to get money of which they are in urgent need.

The bill, however, ought to pass and should not be allowed to fail on account of a refusal to include pawnbrokers. * * *

Yours, very respectfully,

WM. H. BALDWIN,
Chairman Citizens' Committee.

JANUARY 7, 1913.

HON. BEN JOHNSON,
House of Representatives, Washington, D. C.

DEAR SIR: While this committee deeply regrets that the rate of interest in the loan-shark bill was reduced to 1 per cent a month, because it seems certain that people will not make such loans at that rate, and the mistaken attempt to guard the interests of the poor will really do them harm by keeping them from getting money when they are in sore need of it, it readily admits that it is not improper to make the limit for pawnbrokers no greater, for loans on ample pledges can be more profitably made than those on other security. * * *

Yours, very respectfully,

WM. H. BALDWIN,
Chairman Citizens' Committee.

The matter was taken up on January 8, 1913, and the conferees met and agreed on a report, taking in the pawnbrokers. The Senate adopted the conference report on January 11 and the House followed; and on February 1 the loan sharks had enough influence in the matter to secure a hearing before President Taft, trying to get him to veto the bill.

At this hearing the committee admitted that the rate was too low, but urged that since both Houses had passed it the law be given a fair trial. President Taft signed the bill with the expectation that if such a fair trial proved the rate to be too low Congress would raise it, as is shown by the following memorandum, which he submitted in signing the bill:

(The memorandum is printed, as follows:)

PRESIDENT'S MEMORANDUM.

I have concluded to sign this bill, because its general purpose is one with which every good citizen must sympathize. It has been pressed on me that the rate of interest to which pawnbrokers are limited is too low, and this is urged as an objection to the bill not because of any sympathy with pawnbrokers, but because, it is pointed out, that if the limitations of the bill are so severe as to discourage the legitimate pawnbroking business it will drive some pawnbrokers into Virginia and Maryland, where they will ply the business without any limitation, or will induce others to live in the District and put the law at defiance, and so subject those who are forced to resort to them to an extortion beyond the protection of the law altogether.

In other words, the argument is that it will tend to put the pawnbrokers in a class of lawbreakers beyond control and will not relieve the persons whom the law is intended to protect.

I am not satisfied, however, that pawnbrokers with sufficient capital can not do a legitimate business at the rate of 1 per cent a month. Companies of this kind seem to be successful in other cities. The subject is one in respect to which an experiment in legislation may properly be made, and if it turns out that 1 per cent is too great a restriction Congress in its wisdom may increase the rate to $1\frac{1}{4}$ or 2 per cent.

Experience has shown that the business can not be carried on at 1 per cent a month, and the law has done just what President Taft feared it might do in driving business into Virginia and subjecting borrowers to higher rates.

Washington is the only city of its size in the civilized world of which I know in which there are no pawnbrokers to whom poor people in distress can go for relief, and this condition is the result of making the rate too low.

The following copy of the law as it stands, the provisions which have been rendered absolutely nugatory by the low rate, being inclosed in brackets, shows graphically the effect which the reduction from the 2 per cent per month asked for by the committee to the 1 per cent as fixed by Congress has had:

(The law referred to above is here printed in full, as follows:)

[PUBLIC—No. 359.]

[H. R. 8768.]

AN ACT To regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real-estate brokers in the District of Columbia.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That hereafter it shall be unlawful and illegal to engage in the District of Columbia in the business of loaning money upon which a rate of interest greater than six per centum per annum is charged on any security of any kind, direct or collateral, tangible or intangible, [without procuring license; and all persons, firms, voluntary associations, joint stock companies, incorporated societies, and corporations engaged in said business shall pay a license tax of five hundred dollars per annum to the District of Columbia. No license shall be granted to any person, firm, or voluntary association unless such person and the members of any such firm or voluntary association shall be bona fide residents of the District of Columbia, and no license shall be granted for a period longer than one year, and no license shall be granted to any joint stock company, incorporated society, or corporation unless and until such company, society, or corporation shall, in writing, and in due form, to be first approved by and filed with the Commissioners of the District of Columbia, appoint an agent, resident in the District of Columbia, upon whom all judicial and other process or legal notice directed to such company, society, or corporation may be served. And in the case of the death, removal from the District, or any legal disability or disqualification of any such agent, service of such process or notice may be made upon the assessor of the District of Columbia.]

§**SEC. 2.** That applications for license to conduct such business must be made in writing to the Commissioners of the District of Columbia, and shall contain the full names and addresses of applicants, if natural persons, and in the case of firms and voluntary associations, the full names and addresses of all the members thereof, and in the case of joint-stock companies, incorporated societies, and corporations, the full names and addresses of the officers and directors thereof and under what law or laws organized or incorporated, and the place where such business is to be conducted, and such other information as the said commissioners may require. Every license granted shall date from the first of the month in which it is issued and expire on the thirty-first day of the following October, and such license shall be kept conspicuously displayed in the place of business of the licensee. Every application shall be filed not less than thirty days prior to the granting of such license, and notice of the filing of such application shall be posted in the office of the assessor of the said District and be published twice a week for three successive weeks in a daily newspaper published in the District of Columbia. Protest may be made by any person to the issuing of such license, and when such protests are filed with the said commissioners the latter shall give public notice of and hold a public hearing upon such protests before issuing

such license. The said commissioners shall have the power to reject any application for license after a hearing upon such protest or for failure on the part of the applicant to observe this act, or when such applicant shall have violated its provisions.]

[SEC. 3. That each application shall be accompanied by a bond to the District of Columbia in the penal sum of five thousand dollars, with two or more sufficient sureties, and conditioned that the obligor will not violate any law relating to such business. The execution of any such bond by a fidelity or surety company authorized by the laws of the United States to transact business therein shall be equivalent to the execution thereof by two sureties, and such company, if excepted to, shall justify in the manner required by law of fidelity and surety companies. If any person shall be aggrieved by the misconduct of any such licensed person, firm, voluntary association, joint-stock company, incorporated society, or corporation, or by his, their, or its violation of any law relating to such business, and shall recover a judgment therefor, such person or his personal representative or heirs or distributees may, after a return unsatisfied either in whole or in part of any execution issued upon such judgment, maintain an action in his own name upon such bond herein required in any court having jurisdiction of the amount claimed. The Commissioners of the District of Columbia shall furnish to anyone applying therefore a certified copy of any such bond filed with them, upon the payment of a fee of twenty-five cents, and such certified copy shall be prima facie evidence in any court that such bond was duly executed and delivered by the person, firm, voluntary association, joint stock company, incorporated society, or corporation, whose names appear thereon. Said bond shall be renewed and refiled annually in October of each year, or the licensed person, firm, voluntary association, joint-stock company, incorporated society, or corporation shall, within thirty days thereafter, cease doing business, and their license shall be revoked by the said commissioners, but said bond until renewed and refiled as aforesaid shall be and remain in full force and effect.]

[SEC. 4. That every person, firm, voluntary association, joint-stock company, incorporated society, or corporation conducting such business shall keep a register, approved by said commissioners, showing, in English, the amount of money loaned, the date when loaned and when due, the person to whom loaned, the property or thing named as security for the loan, where the same is located and in whose possession, the amount of interest, all fees, commissions, charges, and renewals charged, under whatever name. Such register shall be open for inspection to the said commissioners, their officers and agents, on every day, except Sundays and legal holidays, between the hours of nine o'clock in the forenoon and five o'clock in the afternoon. Every such person, firm, voluntary association, joint-stock company, incorporated society, or corporation conducting such business shall, on or before the twentieth day of January of each year, make to the said commissioners an annual statement in the form of a trial balance of its books on the thirty-first day of December in each year, specifying the different kinds of its liabilities and the different kinds of its assets, stating the amount of each, together with such other information as may be called for.]

[SEC. 5. That no such person, firm, voluntary association, joint-stock company, incorporated society, or corporation shall charge or receive a greater rate of interest upon any loan made by him or it than one per centum per month on the actual amount of the loan, and this charge shall cover all fees, expenses, demands, and services of every character, including notarial and recording fees and charges, except upon the foreclosure of the security. The foregoing interest shall not be deducted from the principal of loan when same is made. Every such person, firm, voluntary association, joint-stock company, incorporated society, or corporation conducting such business shall furnish the borrower a written, typewritten, or printed statement at the time the loan is made, showing, in English, in clear and distinct terms, the amount of the loan, the date when loaned and when due, the person to whom the loan is made, the name of the lender, the amount of interest charged, and the lender shall give the borrower a plain and complete receipt for all payments made on account of the loan at the time such payments are made. No such loan greater than two hundred dollars shall be made to any one person:] *Provided*, That any person contracting, directly or indirectly, for, or receiving a greater rate of interest than that fixed in this act, shall forfeit all interest so contracted for or received; and in addition thereto shall forfeit to the borrower a sum of money, to be deducted from the amount due for principal, equal to one-fourth of the principal sum: *And provided further*, That any person in the employ of the Government who shall loan money in violation of the provisions of this act shall forfeit his office or position, and be removed from the same.

[SEC. 6. That complaints against an licensee or applicant for a license shall be made in writing to the said commissioners, and notice thereof of not less than three days shall be given to said licensee or applicant by serving upon him a concise statement of the facts constituting the complaint, and a hearing shall be had before the

said commissioners within ten days from the date of the filing of the complaint, and no adjournment shall be taken for longer than one week. A daily calendar shall be kept of all hearings by the said commissioners, which shall be posted in a conspicuous place in their public office for at least three days before the date of such hearings. The said commissioners shall render their decision within eight days from the time the matter is finally submitted to them. Said commissioners shall keep a record of all such complaints and hearings, and may refuse to issue and shall suspend or revoke any license for any good cause shown, within the meaning and purpose of this act; and when it is shown to their satisfaction, whether as a result of a written complaint as aforesaid or otherwise, that any licensee or applicant under this act, either before or after conviction, is guilty of any conduct in violation of this or any law relating to such business it shall be the duty of the said commissioners to suspend or revoke the license of such licensee or reject the petition of the applicant, but notice of the written complaint or proposed action shall be presented to and reasonable opportunity shall be given said licensee or applicant to be heard in his defense. Whenever for any cause such license is revoked, said commissioners shall not issue another license to said licensee until the expiration of at least one year from the date of revocation of such license, and not at all if such licensee shall have been convicted of a violation of this act under the provisions of the following section thereof.]

SEC. 7. That any violation of this act shall be punished by a fine of not less than twenty-five dollars and not greater than two hundred dollars, or by imprisonment in the jail or the workhouse of the District of Columbia for not less than five nor more than thirty days, or by both such fine and imprisonment, in the discretion of the court. The said commissioners shall cause the corporation counsel to institute criminal proceedings for the enforcement of this act before any court of competent jurisdiction.

[SEC. 8. That in any foreclosure on any loan made under this act no charges for attorneys' or agents' fees shall be made or collected which will exceed ten per centum of the amount found due in such foreclosure proceedings.]

[SEC. 9. That in any contract made in pursuance of the provisions of this act it shall be unlawful to incorporate any provision for liquidated or other damages as a penalty for any default or forfeiture thereunder.]

SEC. 10. That nothing contained in this act shall be held to apply to the legitimate business of national banks, licensed bankers, trust companies, savings banks, building and loan associations, or real-estate brokers, as defined in the act of Congress of July first, nineteen hundred and two.

SEC. 11. That the enforcement of this act shall be intrusted to the Commissioners of the District of Columbia, and they are hereby authorized and empowered to make all rules and regulations necessary in their judgment for the conduct of such business and the enforcement of this act in addition hereto and not inconsistent herewith.

SEC. 12. That all acts and parts of acts inconsistent herewith are hereby repealed.

SEC. 13. That this act shall take effect at the expiration of thirty days from and after the date of its passage.

Approved, February 4, 1913.

It will be seen that four-fifths of the law is as useless as if it had never been passed. It is not to be supposed that Congress did not intend that loans should be made in accordance with all these elaborate provisions, and the committee is now asking that the rate be raised so that the part of the law which is now useless may have the effect intended.

Parenthetically, I may say that there are two parts of this business—the pawnbroking business, where a man comes in and leaves his watch or a ring or something of that kind and gets the money and comes back and redeems it, and another branch where people borrow on indorsed notes or on chattel mortgages or on assignment of salary or something of that kind; and what we had been especially interested in was loans like these, that are not pawnbrokers' loans, but the chattel loans and loans on indorsed notes, or other notes.

By taking the pawnbrokers into the bill, as originally introduced by the committee, the law was made to include both.

The loans on notes involve looking up the borrower's credit, or inspecting the chattels, and the cost of recording the chattel mort-

gage if it is recorded. A report from a local commercial agency on a man's credit costs about 40 cents, and the fees for recording a mortgage are more than \$2. Under our law all such expenses must be paid by the lender, and come out of the interest; so it will be seen that the net rate, after paying all these expenses, would be much less than the rate we ask for indicates. Even at 2 per cent per month the interest on a \$10 loan for two months would barely pay the cost of looking up the borrower's credit.

There was considerable litigation about the law, and it took nearly a year to get the matter settled down so that the District authorities began to restrain the business.

Without taking up your time I desire to submit the following chronological statement which will show what has happened in regard to it.

(The statement referred to is here printed, as follows:)

CHRONOLOGY OF LOAN-SHARK LAW.

- Dec. 20, 1909. Bill introduced making rate 2 per cent per month without other charges. Pawnbrokers were not included.
- Apr. 7, 1910. Passed Senate.
- May 18, 1910. Approved by District Committee in House after full hearing and passage recommended.
- Mar. 4, 1911. Passage of 2 per cent bill prevented by loan sharks, who employed an ex-Senator of the United States and others as attorneys.
- Aug. 19, 1911. Senate bill passed in special session of next Congress, with rate reduced to 1½ per cent per month.
- Feb. 12, 1912. House bill passed in regular session, but with rate reduced to 1 per cent per month and pawnbrokers included.
- Apr. 23, 1912. Senate agreed to rate of 1 per cent per month in House bill, but sent it to conference on question of including pawnbrokers.
- Jan. 8, 1913. After having allowed the bill to lie for more than eight months in conference without any meeting in regard to it, the conferees met and agreed on a report.
- Jan. 11, 1913. Senate adopted conference report.
- Jan. 23, 1913. House also adopted conference report.
- Feb. 1, 1913. President Taft held a hearing as to objections to the bill.
- Feb. 4, 1913. President Taft signed the bill.
- Nov. 3, 1913. Court of appeals in Prender case declared law constitutional.
- Nov. 28, 1913. Chairman of citizens' committee requested commissioners to introduce bill approved by corporation counsel's office raising the rate of interest and stopping evasion of law by Virginia business.
- Dec. 19, 1913. George D. Horning prosecuted in police court.
- Jan. 15, 1914. George D. Horning acquitted in police court, Judge Mulloony presiding.
- Feb. 2, 1914. Court of appeals in Reagan case upheld law as to loans on notes.
- Mar. 7, 1914. Commissioners forwarded bill asking advance in rate to 1½ per cent per month and forbidding taking people to Virginia.
- Apr. 23, 1914. House District Committee voted, 10 to 5, to raise the rate to 2 per cent per month, and referred the bill to the subcommittee on judiciary to report this change and another prohibiting requiring savings in connection with loans.
- May 4, 1914. Told commissioners if violations of law and left memorandum.
- Mar. 4, 1915. Congress adjourned without any action on the loan-shark bill.
- Mar. 24, 1915. The citizens' committee submitted letter to the District Commissioners again calling attention to the possibility of stopping the violations of the law under the device of doing business in Virginia.
- May 19, 1915. The situation as to the violations was fully discussed with one of the commissioners, and reasons for action given.
- June 1, 1915. The citizens' committee met, and the necessity of vigorous action was again brought to the attention of the commissioners.
- June 4, 1915. George D. Horning prosecuted in police court on charge of violating the law.

- June 17, 1915. George D. Horning acquitted in police court under ruling of Judge Mullowny.
- June 22, 1915. Request made by citizens' committee that the question be brought before the Supreme Court of the District in a new case if appeal from Judge Mullowny's decision was not possible.
- July 6, 1915. The commissioners replied that there was no way of getting the Horning case before the Supreme Court of the District.
- Oct. 28, 1915. George D. Horning brought about 60 suits in the municipal court against citizens of the District.
- Dec. 15, 1915. Bill as approved by House District Committee April 23, 1914, introduced in House by Mr. Page.
- Feb. 1, 1916. Mr. Page appeared before House District Committee, who seemed favorably disposed to the bill.
- Feb. 25, 1916. Bill introduced in Senate by Senator Smith, of Maryland.
- Mar. 3, 1916. Washington loan shark doing business in Virginia levied on goods of Washington lady for claim involving interest at more than 300 per cent per annum. The same party is pressing collection of another claim against Washington resident involving the same rate, and is making collections on two other loans in the District at the rate of 179 per cent and 188 per cent per annum.

The CHAIRMAN. Mr. Baldwin, I will state that the most of the Senators have other duties, and if you will just get down to the concrete proposition why you want this 2 per cent, and why the 1 per cent will not answer, it is what we would like to hear more particularly. We do not want to hurry you, and if we had time we would be glad to hear these other matters.

Mr. BALDWIN. That the rate is not high enough is proved by the following letter dated February 5, 1916, from Mr. Coombs, the license clerk of the District, showing that in the three years but two companies have ever taken out licenses under the law [reading]:

OFFICE OF THE ASSESSOR,
Washington, February 5, 1916.

Mr. WM. H. BALDWIN,
1415 Twenty-first Street NW.

DEAR SIR: As per your request of the 5th instant, relative to loan brokers licensed under an act of Congress approved February 4, 1913, will state that the following companies have procured licenses under this act:

The Society for Savings and Loans of Washington:	
From Mar. 1, 1913, to Oct. 31, 1913.....	\$333.34
From Nov. 1, 1913, to Oct. 31, 1914.....	500.00
From Nov. 1, 1914, to Oct. 31, 1915.....	500.00
The Prudential Loan Co., from May 1, 1914, to Oct. 31, 1914.....	250.00

The total amount collected under this act being \$1,583.34.

Since October 31, 1915, no one has taken out a license as loan broker.

Respectfully,

WADE H. COOMBS,
License Clerk District of Columbia.

The first of these is the only company which ever attempted to operate under the law. After an earnest and prolonged effort it found it could not do business without loss, and gave up the attempt last October. No business whatever has been done under the law since then.

The other is a pawnbroking company which took out a license when the House District Committee voted in favor of raising the rate to 2 per cent in May, 1914, for which they paid \$250, but never did any business under it, because the proposed increase in the rate was not made. In order to be brief, I may state right here that that company has had its doors open continuously, ready to lend money ever since if the rate was raised to 2 per cent, but unable to do the

business at 1 per cent. while a large amount of money has been loaned to people at 3 per cent by this device of sending them over to Virginia.

Senator JONES. What can you tell us about that? What facts have you with reference to the business over there?

Mr. BALDWIN. The facts in regard to the business, to take them up briefly, are that on page 214 of the hearing on House bill 14663 in April, 1914, Mr. Horning testified that he had then \$250,000 invested in the business. I have a letter from Mr. Horning to a gentleman who is interested in this subject who sent it to me, dated January 10, 1916, in which he says [reading]:

In the past 18 months, owing to the discontinuing of all other brokers, I have found it necessary to borrow \$165,000 in order to accommodate the borrowers.

I am calling attention now to the fact that this advertisement here carries with it the \$250,000 that was in the business two years ago, plus the \$165,000 that is in the business now, and which makes \$415,000. As an evidence of what that is being loaned at I want to leave here this little advertisement that came in a laundry package several weeks ago. When my laundry came home this was inserted in it—an advertisement of the loans at 3 per cent per month.

(The advertisement referred to is here printed in full, as follows:)

LIBERAL LOANS MADE ON DIAMONDS, WATCHES, JEWELRY, ETC., 3 PER CENT.

You'll get the money without delay and you'll pay only 3 per cent interest for the loan. The money may be repaid at your convenience. Fair treatment to everybody.

Your security will be protected by the mutual District burglar-alarm system (individual wire).

Money for rent at 3 per cent.

All pledges stored under the protection of mutual District burglar-alarm system (individual wire).

Free automobile service from Ninth and D Streets to the Virginia office and return. All cars leaving Mount Vernon Station, Twelfth and Pennsylvania Avenue, stop at our Virginia office. One city fare.

GEORGE D. HORNING, *Banker and Broker,*
South end Highway Bridge (opposite Washington Monument), Virginia.

Senator JONES. Is it a fact that about the same amount of loans have been made since this law was passed as beofre, except that they have been made over in Virginia?

Mr. BALDWIN. No; not so many, I think. You see, the loan side of the business is not being adequately taken care of at all. These are all pawnbrokers loans. Mr. Horning formerly did a large business also in the other kind of loans on notes.

Senator DILLINGHAM. Pawn loans?

Mr. BALDWIN. No; he did the other kind also.

Senator JONES. That is what he is doing now, is it not? He is doing a pawnbroking business?

Mr. BALDWIN. He is doing a pawnbroking business only.

Senator JONES. I thought he was doing a loan business.

Mr. BALDWIN. No; he tried the loan business, but to do that, Senator, it was necessary to collect in the District, and that was rather difficult to do. Last October Mr. Horning filed 60 suits here against citizens of the District on notes, on some of which he got judgment, but many of which were dismissed. I have one of such notes in my possession, and a letter from the man telling how he got \$50 and

gave notes for \$65. The rate figures, according to the facts given in the letter, a little more than 100 per cent per annum.

Senator JONES. So the loaning has been stopped.

The CHAIRMAN. Do I understand that there is no loan business being done over the line at 3 per cent other than the pawnbroker's business?

Mr. BALDWIN. None at 3 per cent, but there is some being done at 170 and 180 per cent per annum.

The CHAIRMAN. Do not these people who are asking 3 per cent loan to people in the District of Columbia, those who want to borrow over there, on mortgages, etc.?

Mr. BALDWIN. The others do; but Mr. Horning would not lend you anything on a note here at all. He has quit that business entirely. He keeps the pawns here that are taken over there. You will see that this circular says that those pawns are protected by some burglar-alarm business.

The CHAIRMAN. Where do the people who do borrow money on mortgages get it, Mr. Baldwin, on furniture and things of that kind?

Mr. BALDWIN. Only from three concerns, who are doing business over on the other side, that charge just as high rates as they can get.

The CHAIRMAN. That is what I want to get at. Are these people doing business across the line charging these exorbitant rates to the people of the District of Columbia?

Mr. BALDWIN. Yes, sir.

The CHAIRMAN. Are the people of the District of Columbia borrowing from them?

Mr. BALDWIN. They are to-day.

The CHAIRMAN. That is what we want to know.

Senator DILLINGHAM. And what rates are they paying?

Mr. BALDWIN. Any rate the lenders can exact. I know of one poor woman who resorted to one of the lenders across the river several months since for money she needed to pay her rent. She got \$30, for which she is making six monthly payments of \$7.75 each, a total of \$46.50, making the interest \$16.50, which figures 188 per cent per annum.

I know another borrower who had been ill, who got \$50 about the same time, and was charged nine monthly payments of \$8.95 each, a total of \$80.55, making \$30.55 interest charged on \$50, for which the repayment began a month after the money was received. This figures 179 per cent per annum.

The borrower spoke of this bill, which would stop them from doing business in the District. The loan shark said he hoped it would not pass, that they would hate to come back to the District, that they preferred to "sit where they were and pick the ripe cherries from the tree, letting the green ones stand."

These people have their names in the telephone book, and their printed blanks for lists of furniture mortgaged refer to it as being on such a street "in Washington, D. C." They send out circulars to citizens of the District soliciting business, and because of the manner in which the payments are made the borrowers do not know what rates they are paying. The poor woman who is paying the 188 per cent per annum, or more than 15 per cent per month, said to me

innocently, "I do not know what that would figure. Perhaps 3 or 4 per cent per month."

I also know of two cases of women, one of whom had her furniture levied on in the District on the 3d of last March, to collect one of those loans on which a man had gotten judgment in Virginia, which, taking into account the usury on an old loan that they had made her pay in order to get the new one, amounted to 365 per cent per annum. The rate on the other loan, which the lender is endeavoring to collect, figures about the same.

Senator JONES. Does the Virginia law permit that?

Mr. BALDWIN. No, sir.

Senator JONES. Then why do they not enforce the Virginia law?

Mr. BALDWIN. They do not seem to. That is being done, and those people are collecting those loans now.

Senator JONES. Is not that one of the best steps to take—to see that the Virginia law is enforced?

Mr. BALDWIN. We have no power to enforce the law in Virginia. What we are getting at here is that if these people could borrow money at rates which they can afford to pay in the District, they would not have to go to Virginia and pay there either 3 per cent or 180 per cent.

Senator JONES. I understand that; but it seems to me there ought to be some steps taken to see that the Virginia law is enforced. Then you might drive these people out of business entirely.

Mr. BALDWIN. It benefits many of these people to borrow the money, because it is better for them.

Senator JAMES. What is the Virginia law on chattel loans?

Mr. BALDWIN. It allows fees in addition to the 6 per cent, and in Virginia they permit them to charge 10 per cent per month for pawnbrokers' loans up to \$25, 5 per cent from \$25 to \$100, and 3 per cent over \$100. Now, all that the citizens' committee asks for is that you will be kind enough to allow pawnbrokers and others to charge 2 per cent a month in the District.

The CHAIRMAN. Then we understand that the Virginia law does permit a great deal higher rate than the 2 per cent that you are asking for?

Mr. BALDWIN. Far more.

The CHAIRMAN. That is what we want to get at.

Mr. BALDWIN. And the Maryland law, Senator, allows—

The CHAIRMAN. That is all right. I understand that. Senator Dillingham has there a list of charges in the various States which run from 4 to 10 per cent.

Senator DILLINGHAM. Senator Smith refers to the list that you filed at a previous hearing, of rates charged in the different cities.

Mr. BALDWIN. I should like to put in a revised list here. As to the law, let me show you—

Senator DILLINGHAM. Do not get away from that subject. Put in your list.

Mr. BALDWIN. Here is a statement of two loans which two men could not get. One got charity. He had a Government position paying \$55 a month, and if he had been allowed to pay 72 cents he could have gotten the loan of \$18. He was only allowed by the

District law to pay 1 per cent per month, or 36 cents, so he could not get it, and he came begging for something to eat and something to keep him warm from the Associated Charities. The other man wanted \$10. He was only allowed by the District law to pay 9 cents, but he could not get the loan without paying 18 cents, and because he could not get it, he did not get the help he needed at all.

Senator JONES. What injury did he suffer?

Mr. BALDWIN. He suffered not being able to pay the doctor, his children going without shoes, and general discomfort. The other man suffered the injury of being made a pauper. Now, this man is just as independent—the one that would not take that help from the Associated Charities—as any of us in this room; and it is a great thing to preserve the independence of these people, so that they can take care of themselves.

In October, 1914, a fireman in the State, War, and Navy Department, who was earning \$55 a month and had been in the employ of the Government for 24 years, had his foot injured through no fault of his own, and was obliged to quit work. After his annual leave and sick leave were exhausted his pay stopped, and as the present law has driven pawnbrokers and other lenders of small sums out of business so that he was unable to borrow, he was obliged, in January, 1915, to apply to the Associated Charities for food, which was furnished him.

In thanking them for this he wrote a letter asking them for coal also, as he had no other way of getting it, and saying it was the first time in his life he had ever been obliged to ask for charity. If he could have borrowed \$18 payable in sums of \$6 in one, two, and three months he could have taken care of himself without submitting to this humiliation. The cost at 2 per cent per month, which the citizens' committee has been trying to secure, would have been 72 cents. The present law forbids anyone to receive more than 36 cents. It, therefore, made this man a pauper for the difference of 36 cents.

A little later another man whose children were sick and who owed the doctor and had other needs wanted to borrow \$10 to relieve his necessities. He works for the District at \$10.50 per week. Being unable to get the money elsewhere, he applied to the Associated Charities and offered \$2 for the money, to be repaid out of his next pays, half in 20 days and half in 34 days. They had no money to lend, but offered to give him relief for his immediate necessities. He refused to accept the charity, saying he preferred to "murder along" and let his children suffer rather than do so.

The \$2 he offered amounts to 267 per cent per annum, which is his measure of what the money would have been worth to him. At 2 per cent per month it would have cost 18 cents, which he could have well afforded to pay. The law which allows only half this amount prevented him from getting the money at all and caused his children to suffer for a difference of 9 cents.

The cost of each of these two loans under the laws of 22 States which have laws providing for such loans is shown in the table following.

State.	Rate allowed.	Cost of \$10 ¹ loan.			Cost of \$18 loan.		
		Interest.	Fees.	Total cost.	Interest.	Fees.	Total cost.
Massachusetts.....	3 per cent per month..	\$0.27		\$0.27	\$1.08		\$1.08
Rhode Island.....	2½ per cent per month..	.23		.23	.90		.90
Connecticut ¹	25 per cent per year..	.19		.19	.75		.75
New York.....	2 per cent per month and fees.	.18	\$1.00	1.18	.72	\$1.00	1.72
New Jersey ²	3 per cent per month..	.27		.27	1.08		1.08
Pennsylvania ^{2,3}	3 per cent per month and fees.	.27		.27	1.08		1.08
Delaware ¹	8 per cent per month..	.72		.72	2.88		2.88
Maryland.....	6 per cent per annum and fees.	.04	3.00	3.04	.18	5.00	5.18
Virginia.....	do.....	.04	.75	.79	.18	1.00	1.18
Georgia.....	5 per cent per month..	.45		.45	1.80		1.80
Tennessee.....	6 per cent per annum and fees.	.04	.70	.74	.18	1.00	1.18
Ohio ^{2,3}	3 per cent per month and fees.	.27		.27	1.08		1.08
Indiana.....	2 per cent per month and fees.	.18	3.00	3.18	.72	3.00	3.72
Michigan ²	3 per cent per month and fees.	.27	1.00	1.27	1.08	1.00	2.08
Wisconsin.....	10 per cent per annum and fees.	.08	.05	.13	.30	.21	.51
Illinois.....	3 per cent per month..	.27		.27	1.08		1.08
Minnesota.....	1 per cent per month and fees.	.09	1.75	1.84	.36	1.75	2.11
Iowa.....	2 per cent per month and fees.	.18	1.00	1.18	.72	1.00	1.72
Missouri.....	do.....	.18	1.50	1.68	.72	1.50	2.22
Nebraska.....	10 per cent per annum and fees.	.08	.28	.36	.30	1.15	1.45
Colorado.....	2 per cent per month..	.18		.18	.72		.72
Oregon ²	3 per cent per month..	.27	1.00	1.27	1.08	1.00	2.08
District of Columbia.	1 per cent per month..	.09		.09	.36		.36

¹ For pawnbrokers, as there are no small loan companies.

² New Jersey, Pennsylvania, Ohio, and Michigan have raised the rate to 3 per cent per month since the District bill asking an advance to 2 per cent has been pending, and Oregon has added fees to the former rate of 3 per cent per month.

³ If these loans were for four months or longer both Pennsylvania and Ohio would allow fee of \$1 in addition to the interest, making total cost in each \$1.27 and \$2.08.

These rates are for small loans, not for pawnbrokers, except in the two instances stated, and the discrimination against the District which this law, limiting the rate to 1 per cent per month, makes it evident from a comparison with the cost of the same loans at the rates allowed by other States.

You see, the increase to 2 per cent per month is only a matter of 9 cents for one of these loans. Nobody pays 24 per cent per annum on these loans. I never saw one for a year. It is as though my wife and I are down the street, and it rains when we come out of the theater, and we order a taxicab, and pay a dollar and a half for 20 minutes in order to get home without ruining our clothes. That is \$4.50 an hour, or \$45 a day of 10 hours; but we do not pay any \$45 a day to ride around in taxicabs. We could not afford that; but you would not want to reduce the taxicab rate because of that. This law is very much as it would be if you should pass a law fixing a rate of 25 cents for taxicabs from the Union Station to any part of the city. You would not have any taxicabs.

Senator JAMES. I think the taxicab rates here are exorbitantly high—much higher than they are in New York and other cities.

Mr. BALDWIN. I am not disputing that, Senator.

Senator DILLINGHAM. He uses that as an illustration.

Senator JAMES. But I just wanted to use my illustration of the exorbitant charges here.

Senator DILLINGHAM. Mr. Baldwin, may I ask you a few questions, in order to make clear your position?

Mr. BALDWIN. Certainly.

Senator DILLINGHAM. The operation of the law, where the rate is placed at 1 per cent, has operated to drive the loan companies out of business in this city. Now, as I understand that the people who really desire to borrow have been compelled to go to Virginia and pay a very much higher rate by reason of that fact?

Mr. BALDWIN. Yes, sir.

Senator DILLINGHAM. Is it your argument that if we increase the rate to 2 per cent here the companies in this city will be reinstated, and they will do business on that basis, and save the larger sacrifices to the borrowers?

Mr. BALDWIN. That is exactly my position.

Senator DILLINGHAM. That is just the point that you are making?

Mr. BALDWIN. That is the point I am making.

Senator DILLINGHAM. And the testimony at the former hearing showed that they would be satisfied with a 2 per cent rate, did it not?

Mr. BALDWIN. Yes, sir.

Senator DILLINGHAM. Exactly. Now then, following that, is the necessity for borrowing in this city so great as to demand something of this kind; or would it be better to wipe out all these companies and fix it so that the classes mentioned can not borrow at all?

Mr. BALDWIN. The necessity for borrowing is so great that they ought to be allowed to borrow; and of that there are a great many instances. For instance, there is one, of which I told Senator Pomerene, of a woman who had been crippled by infantile paralysis, and who needed to have a brace, which cost \$45. Her husband is a painter. She had not the money at the time, and she wanted to borrow the \$45, which she could pay in five months at \$9 a month, rather than wait that time and suffer all the time; but there was no place here where she could get it, and I let her have the money. She paid the first three months all right, and then broke down, moving her furniture around or something of that kind, and had to have an operation, so that she has not yet paid the remainder; but she will; she is honest.

For \$1.35, the difference between the 1 per cent per month at which she was unable to get the money at all under the present law, and the 2 per cent for which we ask, she would have been compelled to suffer five months if I had not furnished it.

Another instance was that of a poor woman who works in Page's Laundry. A year ago last December she wanted to borrow \$15 to fit up a room for a lodger. I do not know how much the lodger would pay, but she could well afford to pay 2 per cent a month on that to get the extra income from the room. She could not get the money anywhere in the District; so she went to one of these people of whom Senator Smith has spoken, doing business beyond the line—although his office was open in Washington. They sent her to Virginia to get the money, and charged her \$22.50 in six monthly payments. She paid five monthly payments of \$3.75 each in Washington, and she sent the last one over to Virginia, because the loan shark had closed his office here. This made 171 per cent per annum. She

paid \$7.50, seven times the \$1.05 which the loan would have cost her at 2 per cent, because the 1 per cent law has put legitimate lenders out of business. These people are honest, and she needed that money for a legitimate purpose.

Senator JAMES. Do not some of these offices take the pawns here, and send the customers across the river when they go there?

Mr. BALDWIN. No; they have been chased over.

Senator JAMES. How recently?

Mr. BALDWIN. Oh, within a year.

Senator JAMES. A gentleman came to me here who wanted me to lend him the money to get out a piece of jewelry, and he told me that I could see the jewelry at a certain place on one of the streets down here. I do not remember just what street it was. I went down there to see it and see if I could let him have the money. He said it was right down here, but they told me I would have to go across the river and get an order there and bring back that order over here before they would show me the jewelry.

Mr. BALDWIN. What I am getting at is that Mr. Horning is simply maintaining an office in the District here now, where the customers go down and get into an automobile.

The CHAIRMAN. That is what Senator James is asking you. Do not they transport them over there?

Mr. BALDWIN. Oh, yes; they transport them over there without charge.

The CHAIRMAN. That is just what he is asking.

Senator JAMES. I was inquiring if they do not keep up these offices here, and when a person goes there they tell him where he has to go. They say, "We can not transact business in the District," and, as they said to me, the jewelry was in this office here, but they could not show it to me until I went across the river and got an order from that fellow. Then my understanding—not from this gentleman, but from the driver that took me down there—was that after I went over there and got that order I would have to come back over here and pay him 25 cents or some such amount to see the jewelry.

Mr. BALDWIN. Mr. Horning is doing business in spite of the law.

Senator JAMES. I do not know whether this was Horning or not. I have forgotten what street it was on. A man here got me to go down there, but I do not know whether he ever got his jewelry out or not.

Mr. BALDWIN. That is what one part of this bill is intended to stop. You force those people to do the business in Virginia or elsewhere, and we want to cut that business out. You can see that if Mr. Horning, or anyone, is loaning money, to the extent of \$415,000, at 3 per cent a month, he gets \$12,450 a month. If this bill were passed he would have to do the business in the District, and keep the jewelry here, and loan the money here at 2 per cent, or \$8,300 a month, which makes a difference of \$4,150 a month, or \$1,000 a week, and that is what the passage of this bill will save to the poor borrowers of this city.

Instead of having the business to which Senator James alludes go on and having these poor people pay the money, it is in behalf of the people who are paying a thousand dollars a week more than they need to that this bill comes before you.

Here is one society that I have a statement from for eight years. They made 26,649 loans at 2 per cent per month. I am submitting this to show that the rate of 2 per cent is not exorbitant, Senator. Those loans amounted to \$1,269,000, for which the company received \$97,000 in interest, with expenses of \$62,000 and losses of less than \$4,000. The losses amounted to less than one-third of 1 per cent on the amount loaned, showing how legitimate these loans were, how honest the borrowers were.

The fact that they repaid them all shows that the rate was not ruinous, that the loans in their emergencies helped them, and did not hurt them. The company made an average profit of a little less than 10 per cent per annum. If they had had to loan that money at 1 per cent, instead of making \$31,000 they would have lost \$17,000, so they went out of business.

Senator DILLINGHAM. You will place those papers in the record? Mr. BALDWIN. Yes, sir.

(The statements referred to are as follows:)

Society for Savings and Loans, Washington, D. C.

	Number of loans.	Total loans.	Average capital.	Surplus at beginning of year.	Total capital employed.	Income.	Ex-penses.	Losses.	Net earn-ings.	Per cent.
1905.....	2,156	\$87,603	\$13,759	\$13,759	\$6,861.76	\$5,002.89	\$166.05	\$1,692.82	12.3
1906.....	3,083	126,011	19,897	\$317	20,214	8,796.14	5,470.41	324.36	3,001.38	14.8
1907.....	3,169	132,233	25,397	1,328	26,725	9,606.98	6,228.10	306.07	3,072.81	11.4
1908.....	3,374	147,928	33,233	1,862	35,095	11,463.45	7,208.32	305.30	3,949.83	11.2
1909.....	4,134	187,924	42,474	2,488	44,962	14,573.59	9,647.82	605.78	4,319.99	9.6
1910.....	3,559	190,594	46,961	2,561	49,522	14,669.68	9,142.42	831.12	4,696.14	9.4
1911.....	3,503	194,297	60,348	1,971	62,319	15,096.09	9,840.08	623.77	4,632.24	7.4
1912.....	3,671	203,189	62,599	568	63,157	16,402.90	9,586.29	804.80	6,011.81	9.5
Total..	26,649	1,269,779	304,658	11,065	315,753	97,470.59	62,126.33	3,967.25	31,377.02	9.9

These loans were all made at a flat rate of 2 per cent per month.

It is perfectly evident that if the rate had been 1 per cent the income would have been reduced one-half to \$48,735.30, and with expenses and losses which would not have been reduced amounting to \$66,093.58, there would have been a loss of \$17,358.28 for the eight years.

The small losses, only \$3,967.26 for total loans of \$1,269,779 which are a little less than 1 per cent per annum on the total capital and surplus employed, show that the business was well managed.

Out of the 3,559 loans made in 1910, which was a typical year, there were 117 loans of \$5 each; 247 loans of \$10 each, 178 loans of \$15 each, 147 loans of \$20 each.

In other words, nearly one-fifth of all the loans made were for \$20 or less; and as these loans are repaid in small monthly payments, the expense of doing the business is readily understood.

Mr. BALDWIN. The Prudential Loan Society, corner of Ninth Street and Grant Place, began to do a pawnbroking business here in 1909, making loans at 2 per cent per month, with a little lower rate for loans larger than the present law allows. Although the rate allowed by law then was 3 per cent per month, they continued to lend to all applicants at these lower rates until they were obliged to discontinue making loans because of the present law.

I have a statement of their business for the month of June, 1913, the last before their license expired. It shows that in that month

they made 1,088 loans amounting to \$28,440, which are classified as follows:

209 loans under \$5.....	\$574. 00
242 loans under \$10.....	1,455. 50
234 loans \$10 and under \$20.....	2,955. 50
241 loans \$20 and under \$50.....	6,702. 00
54 loans \$50 and under \$75.....	3,003. 00
34 loans \$75 and under \$100.....	2,687. 00
65 loans \$100 and under \$200.....	7,863. 00
9 loans over \$200.....	3,200. 00
1,088 Total.....	28,440. 00

At first in order to collect outstanding loans, and later because of the expectation that Congress would raise the rate, as anticipated by President Taft when he signed the bill, so that they could resume business, the society has kept its doors open ever since, paying the rent, the salary of the manager, the cost of the telephone, lights, and other expenses. It was this company which paid \$250 in May, 1914, for a license for the remainder of the year in the expectation that the rate would be raised; but although their doors have been constantly open, they have done no business for more than two years and a half because the present law is prohibitory.

I call your attention to the fact that the law, which is permitting the needy borrowers of the District to get pawnbrokers' loans at 3 per cent when taken to Virginia, is keeping them from getting the same loans at 2 per cent per month from this company, which is ready to do business but is unwilling to violate or evade the law. I submit the following letter from the manager in Philadelphia in support of these statements:

(The statements referred to are printed, as follows:)

PRUDENTIAL LOAN SOCIETY,
Philadelphia, Pa., February 7, 1916.

MR. WILLIAM H. BALDWIN,
Washington, D. C.

DEAR SIR: Replying to your letter of February 5, would say that the highest rate charged on any loans made by this society was 2 per cent per month; that our office was kept open continuously with the intention of resuming business as soon as the effort to secure an advance in the rate should prove successful. Also that in 1914, after the House District Committee voted in favor of the advance to 2 per cent per month, we took out a license for the remainder of the year, but did not do any business because the increase in the rate was not effected. We are now ready to resume business in case the rate is advanced. We have plenty of capital and will take care of all applicants for loans, no matter how many or how small.

The board of directors of this society will hold its regular meeting this week. I will present your letter to the directors and you will no doubt hear further from us.

Very truly, yours,

WM. F. EIDELL, *General Manager.*

You need no further proof than the facts relating to this company and to the Society for Savings and Loans above referred to, to show that the business of making such loans, of both kinds, can and will be done in the District if the rate is raised to 2 per cent per month, as asked for by this bill, and that it can not and will not be done at 1 per cent per month, as the present law requires.

To show the need of such loans, I submit the following list of cases in addition to the instances already mentioned:

The following loans were made by the Society for Savings and Loans of Washington during the week ending March 14, 1914, and the causes for making them, which are typical of every week's business, are enumerated below:

Borrowed \$50, the greater part of which was needed to pay the premium on his life insurance, while the balance paid off a doctor's bill of long standing.

Borrowed \$100. Paid doctor's and undertaker's bills caused by the sickness and death of their 5 months old child.

Borrowed \$100. Used to defray the expenses of a several weeks' illness at Sibley Hospital.

Borrowed \$125. The man had borrowed from several loan companies, owing to a serious operation on his wife. By making this loan he was able to consolidate all of his debts, besides reduced the amount of his monthly payments on these accounts about \$20 per month.

Borrowed \$25. Father who lived in a distant city was very sick, and the money was needed to send to him.

Borrowed \$50 to give to his father, who was a carpenter and had been out of work for several weeks.

Was the sole support of mother, father, and two aunts, all of whom were very aged. He had been out of work, and having gotten behind in his rent, was about to be dispossessed. He has been promised a job under the District government on the 1st of April. We made him a loan of \$50. This went to pay his overdue rent, to pay for moving, and to pay a month's rent in advance for another house.

Borrowed \$75. Was in debt to several loan companies, and had several outstanding bills caused by the illness of a couple of his children. By paying all of these, he was able to consolidate his entire indebtedness, besides saving \$13.15 of excess interest charged him by these 10 per cent loan companies.

Fireman borrowed \$25. Needed this money to pay the expenses of moving to a house where he would be able to have his mother and father, as they had been living with his brother, and it was his wish to take this burden off of this brother, who is a bricklayer and out of work.

Borrowed \$150. He was a real estate manager, and during the dull season of his business had had several bills accumulate, which he desired to pay off and have his entire indebtedness in one place.

Borrowed \$100 to defray the hospital expenses of wife, who was in Georgetown University Hospital with typhoid fever.

Owms several pieces of property, upon which taxes were due. We loaned him \$75 to pay these.

Patent attorney needed \$200 to file cases in the Patent Office. We advanced him this amount.

One hundred dollars borrowed. Mother was dying in hospital. Money was obtained to bring her home and pay hospital expenses.

Wanted \$50 to pay off a loan at the Provident Security Co., thereby saving 10 per cent monthly.

Needed \$50 to secure a position, where she was expected to have money invested.

Borrowed \$20 to help out on living expenses caused by small salary.

Had several severe attacks of rheumatism and was told by physician that she would be compelled to resign her position unless she could take electrical treatments. We made her a loan of \$80 for this purpose.

Needed \$25 to pay expenses caused by illness of wife.

Employed at a small salary (\$45 per month), and owing to a death in the family had gotten tied up with loan sharks. We settled these accounts for her at a saving of \$25; also paid several pressing debts out of a loan of \$50 made for a period of a year.

Son 21 years old tied up with a number of loan sharks to the extent of \$200 by reason of having to make new loans to meet payments and interest charges on old loans as they came due. Reached his limit and became despondent because of threats of money lenders. At request of mother, who brought this case to our attention, we made a loan to this boy of the amount necessary to put him on his feet and give him another start. This loan was made for a period of two years.

The case of the fireman who borrowed \$25 is interesting. He was stationed in the southeastern section of the city, where he, with his wife and children, lived with his brother and wife, and their old father and mother. The fireman was transferred to the northeastern section of the city, where it was necessary for him to live near his work. The brother was a carpenter, out of work at that time of year, and in rearranging the household the fireman wanted to take the old parents with him. He needed the money to pay the expenses of moving and the first month's rent. If he had not been able to

get it he could not have moved, and would have been obliged to pay car fare besides losing time. At 2 per cent per month, payable in 10 monthly installments, the cost would be \$2.75. The present law makes it impossible to secure such a loan at all, because it forbids anyone to receive more than \$1.38. It is quite evident that the disadvantage of being unable to move would far more than make up the additional \$1.38. This is a fair sample of many such loans.

Mr. R. L. Williams, one of the assistants to the corporation counsel, who settled many hundreds of cases for the victims of the loan companies when the enforcement of the law began two years ago, made the following statement in the Washington Times of April 7, 1914, in regard to the necessity for borrowing (reading):

Ninety per cent of the persons who have borrowed money from the loan companies have done so from absolute-necessity. Investigation has proved to us that the cases where money was obtained for extravagant uses were few.

In nearly every instance the answer to our question as to what caused them to make the loans has been "want and necessity." Illness, loss of work, and death, are among the reasons advanced by borrowers for appealing to the loan companies.

The discovery of these conditions has led the office to feel that it has done good work in compelling a settlement on terms advantageous to persons who, from absolute want, were driven to borrow money at usurious rates of interest.

The bill which we present to you is intended to relieve these people at the lowest possible rate.

I also submit the following instances which have come to my notice through the Associated Charities (reading):

APRIL 17, 1916.

A clergyman, having met with unusual expense on account of the illness and death of his wife, found it necessary to break up his home. He desired to place his children in a boarding school. He asked for a loan of \$65, saying that the matter was a personal one, and that he did not in any sense wish the request brought to the attention of the Associated Charities. We were unable to accommodate him.

A social worker came to us to ask for advice. There had been unusual illness in the family and the limited resources had become exhausted. It seemed as if a loan of \$100 was the thing needed in order to save the family from requiring actual charitable relief. We were unable to make the loan without interest. The instance, however, was one where the transaction might have been put on a business basis had there been a remedial loan company to whom the worker might have applied.

A former client of the Associated Charities, who had been set up in business by friends, but whose work had proved only partially self-supporting, was advised to learn a trade for which she had special aptitude, and which would render her self-supporting. It was a cause of deep regret to this applicant that she was obliged to come back to us, where, if she could have made a chattel loan upon the furniture which she had, the transaction would have been put upon a strictly business basis without hardship to the woman herself, and with no little satisfaction to her.

I have a list that has just been handed me, a list made recently, in April, by one society lending in a different way, and the money was borrowed for all sorts of purposes—for clothes, for clothes for self and family, for use of family, for moving expenses, to buy a horse, for life insurance, for graduation and bar expenses—that is, some young man admitted to the bar—doctors' bills, hospital and funeral expenses, to help the father, and so on. There are different emergencies, and the poor people—not the paupers, but the people that are poor—have to meet them all the time; they need money, and they will go and borrow it. What we want to do is to provide some place where they can get it at a legitimate rate, and they can get it at 2 per cent. The Prudential Loan Society are willing to lend, and were lending, at 2 per cent per month, and some

of the larger loans at less than that, as I have said, when this law stopped them from doing business in the District.

The CHAIRMAN. And they have gone out of business, and there is no place of the kind now where people can get this accommodation?

Mr. BALDWIN. No; they are waiting to do business at 2 per cent, while this law is permitting the business of which Senator James speaks to be done; and that lender is getting 3 per cent, at a difference of a thousand dollars a week to the poor borrowers as compared with 2 per cent a month. It is such a situation that it seems as if it only needed to be stated to have the request of the people who are interested in helping these poor people granted, and to have the rate raised to 2 per cent, so that they can get money at that, and not have to pay 3 per cent, or many times more.

The CHAIRMAN. Mr. Baldwin, as I understand, you have investigated this loan-shark business. Does your investigation prove that 2 per cent is as low as is the average charge in other cities of like character, or is it more, or is it less?

Mr. BALDWIN. There are only a few cities that do it as low as that; but I want to put—

The CHAIRMAN. Pardon me; I think I can say that Senator Dillingham has a statement in regard to that matter, showing a flat rate of 2 per cent.

Mr. BALDWIN. I have a revised statement of that which I want to put into the record. If you care to run over this, you will see that there is but one State which has small loan companies at all in which the rates are lower than what we ask for, and only two States that are as low. For pawnbrokers' loans, in which the expense is less, six States are as low, with only one lower than 2 per cent per month, and in that, I am informed, pawnbrokers charge more than the law allows.

The following table shows the comparative cost of a typical loan under various State laws, and the discrimination against the District under the present law is very apparent.

State	Year	3 per cent per month	10 per cent of amount loaned	2.02	2.50	5.12	1911-1914	3 per cent per month	10 per cent of amount loaned	2.62	2.50	5.12
Massachusetts	1911-1914	3 per cent per month	\$1 up to \$50; \$2 over \$50; less than 4 months, 50 cents up to \$50; \$1 over \$50.	2.02	2.50	5.12	1911-1914	3 per cent per month	None	2.62	2.50	5.12
Michigan	1915	3 per cent per month up to \$100; 2 per cent per month, \$100 to \$300.	Chattels: \$1.75 on \$20 or less; \$2.75 on \$21 to \$45; \$3.75 on \$46 to \$75.	2.62	1.00	3.62	1911	2 per cent per month on \$100 or less; 1½ per cent per month over \$100.	None	1.75	1.75	1.75
Minnesota	1913	1 per cent per month.	None.	.88	2.75	3.62		No rate fixed.				
Missouri	1915	2 per cent per month.	\$1.50 (chattels)	1.75	1.50	3.25	1909	2 per cent per month.	None	1.75		1.75
Nebraska	1915	10 per cent per annum.	10 per cent brokerage; 50 cents examination up to \$50; both prorated if loan for less than 6 months.	.73	3.00	3.73	1915	10 per cent per annum.	10 per cent brokerage; 50 cents examination up to \$50; both prorated if loan is for less than 6 months.	.73	3.00	3.73
New Hampshire		No law.	None.					No rate fixed.	None			
New Jersey	1914	3 per cent per month.	None.	2.62		2.62	1909	2 per cent per month.	None	1.75		1.75
New York	1895-1915	2 per cent per month.	\$1 up to \$50; \$2 over \$50.	1.75	1.00	2.75	1915	3 per cent per month.	do.	2.62		2.62
Ohio	1915	3 per cent per month.	\$1 up to \$50.	2.62	1.00	3.62	1915	do.	\$1 up to \$50.	2.62	1.00	3.62
Oregon	1913-1915	3 per cent per month (minimum charge \$1).	None.	2.62		2.62	1915	do.	None	2.62		2.62
Pennsylvania	1915	3 per cent per month to \$100; 2 per cent per month over \$100 to \$300.	None up to \$15; \$1 examination fee on \$50 less, \$2 on over \$50 for loans not less than 4 months.	2.62	1.00	3.62	1856	6 per cent per annum.	5 per cent per month.	.44	4.38	4.82
Rhode Island	1912	5 per cent per month up to \$50; 2½ per cent per month over \$50.	None.	3.75		3.75	1909	5 per cent per month up to \$50, not exceeding 3 months; 2½ per cent per month after 3 months; 2½ per cent per month over \$50.	None	3.75		3.75
South Dakota		No law.	None.					No rate fixed.				

The rates are prohibitive. That in Delaware was intended to be so. (See letter of Senator Reinhardt, Apr. 27, 1914.)
 1 There are no small loan companies in Connecticut, District of Columbia, or Delaware.
 2 P a w b r o k e r s l i c e n s e d b y m u n i c i p a l i t i e s a r e n o t l i m i t e d a s t o r a t e b y S t a t e l a w.

Cost of \$25 loan, payable in 1, 2, 3, 4, 5, and 6 months, under various State laws—Continued.

State.	Small loans.						Pawnbrokers.						
	Date of law.	Rates.		Cost.		Date of law.	Rates.		Cost.				
		Interest.	Fee.	Inter-est.	Fee.		Inter-est.	Fee.	Inter-est.	Fee.	Total.		
Tennessee.....	1905	6 per cent per annum.	\$5 or less, 50 cents; over \$10, not exceeding \$10, not exceeding \$20, \$1; over \$20, not exceeding \$35, \$1.50; over \$35, not exceeding \$60, \$2; over \$60, 6 per cent. On \$5 or less, 50 cents; over \$5 to \$10, 75 cents; over \$10 to \$20, \$1; over \$20 to \$35, \$1.50; over \$35, \$2.	\$0.44	\$1.50	\$1.94							
Virginia.....	1906	.do.		.44	1.50	1.94	1903	\$10 per cent per month \$25 or less; 5 per cent per month over \$25 and less than \$100; 3 per cent per month \$100 and over.		\$8.75			\$8.75
Vermont.....		No law.					1913	5 per cent per month \$50 or less; 3 per cent per month over \$50.		4.38			4.38
Washington.....		.do.					1909	3 per cent per month.		2.62			2.62
Wisconsin.....	1915	10 per cent per annum.	7 per cent per annum \$100 or less; 4 per cent per annum over \$100.	.73	.51	1.24	1915	10 per cent per annum.	7 per cent per annum \$100 or less; 4 per cent per annum over \$100.	.73	\$0.51		1.24

You can see by this table that for pawnbrokers Delaware allows a charge of \$7 and Virginia \$8.75 for a loan for which under our law a pawnbroker could only charge 88 cents.

Some States have small loan laws in which the rate of interest is lower than 2 per cent per month, but the fees they allow more than make up the difference.

The CHAIRMAN. They have additional charges making the total expense more than 2 per cent.

Mr. BALDWIN. Yes; Delaware and Connecticut are the only ones as low for small loans as the District. Delaware is really a trifle lower for the small loans, but I have a letter from Senator Reinhardt, who says that the law was passed in order to drive small loan companies out; yet Delaware, as I say, allows the pawnbrokers 8 per cent per month, with an extra charge for taking care of the property in many instances, and Senator Reinhardt says they average about 10 per cent a month.

(The letter referred to is here printed in part, as follows:)

In regard to the loan shark matter, I beg to say that our law of 1905 was passed with the real object of driving loan sharks out of business. It was well understood that the rates provided by this act would be insufficient to carry on the business of making small loans on furniture and other personal property. Two or three concerns have attempted to carry on business since the passage of this act, but I believe that they are all now out of business. None of them at least is carrying on business under this act legitimately.

We have pawnbrokers, and they are allowed to charge 10 per cent a month, and I think keep within that charge very generally. In talking with one or two of them yesterday, they say that 10 per cent a month is none too much of a commission, and that if it should be reduced at all from this figure, they would have to go out of the pawnbroking business.

The CHAIRMAN. What I want to ask is whether this rate of 2 per cent per month is as low as or lower than the average of the cities of the United States?

Mr. BALDWIN. It is lower.

The CHAIRMAN. It is lower?

Mr. BALDWIN. Yes, sir.

The CHAIRMAN. And it costs the poor people less to borrow money under this bill that you propose—2 per cent—than it does in the average city of the United States?

Mr. BALDWIN. Yes.

The CHAIRMAN. The 2 per cent flat is less than is charged in most of the cities of the United States?

Mr. BALDWIN. It is; considerably less than the average, as the table shows.

The CHAIRMAN. And if the people of Washington can not borrow here at 2 per cent they have to go to Virginia and pay an exorbitant rate, which they are now doing?

Mr. BALDWIN. Yes, sir.

The CHAIRMAN. That is what we want to get at.

Mr. BALDWIN. And we want you to help them out now.

The CHAIRMAN. We understand that.

Senator DILLINGHAM. Will you insert that table in the record?

Mr. BALDWIN. Yes, sir.

Senator JAMES. So your purpose in appearing before the committee here is really to lower the rate of interest paid by the people of the District of Columbia?

Mr. BALDWIN. Yes, sir.

Senator JAMES. By raising it to a sufficient amount here so that the pawnbrokers and loan people can do business in the District, and therefore not go across the line?

Mr. BALDWIN. That is exactly it. There is no law in Kentucky, I might say to Senator James, and I have got instances of actual loans down there that run as high as 625 per cent per annum.

Senator JAMES. Yes; and I am mighty sorry that that is true. The legislature down there has not been as progressive along that line as it ought to have been. What the Kentucky Legislature does would not guide me at all.

The CHAIRMAN. Pardon me one minute. I understand that you are making this presentation of the matter in the interest of the poor people here. You are not connected with the loan-shark business here in any way, and have not any money invested in it, directly or indirectly?

Mr. BALDWIN. Not in any way.

The CHAIRMAN. That is what I understand. Your object in coming before the committee is to help the poor people to get money at the lowest rate of interest they can possibly get it?

Mr. BALDWIN. That is right; nor have any of the committee any interest in it.

The CHAIRMAN. I appreciate that, but it is well for that to be known to the committee—that you are in no way connected with it. The only object of you ladies and gentlemen here to-day is to help the poor people who find it necessary at times to get money; and although it seems to be a very high rate of interest, in your judgment this is the lowest rate at which the business will be done in the city of Washington, and thereby prevent the people from over the line getting a greater rate of interest. Is that the object?

Mr. BALDWIN. That is the object—not only the lowest rate, but I am sure that if the rate is granted it will be done at that rate.

Senator DILLINGHAM. Mr. Baldwin, I asked you if you would put into the record that comparative statement of the loans, and you said you would, but instead of that you threw out a mutilated bill and changed the subject at once.

Mr. BALDWIN. I will put it in. I should like to put in also some of these other statements about the need for loans.

Senator DILLINGHAM. That is all right; anything you want.

Mr. BALDWIN. I will see the reporter, then, and put these in without troubling you to hear them.

(The papers referred to have been inserted above.)

Senator DILLINGHAM. Before we close I want Mrs. Hopkins to make a brief statement. She was the first person who moved in this matter, so far as my knowledge as a member of the committee goes. She appeared at our first meeting and appeared at other times, and she has been working for eight years to secure relief for the borrowing class.

The CHAIRMAN. This 2 per cent rate of interest looks big. It looks as if somebody is being cheated, or being imposed upon, and the thing is to show that it is a necessity. It is almost a necessary evil, you may say. It has to be recognized, and in order to keep them from charging more you have to get a reasonable rate according to

their idea. I have a letter here from one of these loan-shark people wanting a hearing, and wanting an increase in the amount, saying they can not do business at 2 per cent.

Senator DILLINGHAM. In that connection, Mr. Chairman, I ask that in making up this report the statements of the loan-shark dealers, as we call them, that were taken at a previous hearing, may be inserted and printed, as we went into the subject very fully. I can make selections of them, I think, that will cover the case.

The CHAIRMAN. I think that is very necessary.

Mr. BALDWIN. May I say one thing more? Senator Pomerene had said he thought the rate ought to be lower, but he said he would be willing to allow some initial change, perhaps to allow a dollar. The statement about the expenses I have given here shows that on small loans in every instance that makes a far higher charge than if you allowed a charge of 2 per cent.

The CHAIRMAN. We understand that. People know what they have to pay under this rate. It is a flat 2 per cent rate, and no additional charge is allowed to anybody; whereas there are cases where they only charge 1 per cent, and the additional charges that they are allowed to make under the law carry it up to 3 and 4 and 5 per cent.

We will hear the statement of Mrs. Archibald Hopkins.

STATEMENT OF MRS. ARCHIBALD HOPKINS, OF WASHINGTON, D. C.

Mrs. HOPKINS. Mr. Chairman, I came up on this matter first because I have three cases in my own immediate surroundings—my maidservant, my manservant, and a newspaper man—and I knew of frightful conditions. I wrote to Senator Gallinger, and he sent me a summons to come. I heard the statement of the loan sharks and their attorneys, and I came up a second time with Mrs. Wainwright. She had some cases that we knew of. I came again with the Civic Federation, when Mr. Thurston was defending the loan sharks. At that time the question was before the House, and they approved the resolution.

When President Taft sent for me to appear before the committee, I gave the cases to him, and he asked me if he should sign the bill, and I asked him to sign it, because a bad bill was easier to have amended than it was to get a whole new bill through Congress, and he was good enough to do it.

The poor people have to have the money, just as other people do, and they have no means of getting it unless they have this method. Last year I went away having loaned \$90 that I could ill afford, and to show you how honest those people are, every cent of that money came back to me except from one person, who I knew never could pay, and I just gave it.

It is an absolute necessity for poor people to have some place to borrow. Two per cent is perfectly fair. Two per cent is not 24 per cent a year. It amounts to only eleven-something, because it is only on the balances. It is not on the flat sum all the year around. Two per cent is the only possibility by which it can be done to help the poor. None of us have any ulterior purpose; we are only trying to help people less fortunate than ourselves, and we do most earnestly

pray you to pass this bill. At any rate you have tried the other plans, and they have been total failures.

The CHAIRMAN. In your judgment if the 2 per cent is not allowed, there will be no business done here to protect the people; they can not get it?

Mrs. HOPKINS. No; unless they get it across the river.

The CHAIRMAN. Mr. White, would you like to be heard on this matter?

STATEMENT OF HON. HENRY WHITE, OF WASHINGTON, D. C.

Mr. WHITE. Mr. Chairman, the subject has been so fully explained that I would like only to say that I indorse every single word that has been said. I need not say that I have no connection with the loan sharks. My life has been devoted to the service of the Nation.

The CHAIRMAN. I believe you were the ambassador to France?

Mr. WHITE. I was. I entered the Diplomatic Service in 1883, and I remained in it until 1909. I have the most intense feeling for the poor people. I have gone into it, and I have followed Mr. Baldwin closely. I have lived in Washington and I indorse every word he has said, and what Mrs. Hopkins has said, and I earnestly ask that this bill be amended so as to make the rate 2 per cent.

The CHAIRMAN. Admiral Wainwright, have you anything to say?

Admiral WAINWRIGHT. Mr. Chairman, I have nothing to say. I indorse the bill thoroughly.

Senator DILLINGHAM. Mrs. Wainwright, I know we want to hear from you.

STATEMENT OF MRS. RICHARD WAINWRIGHT.

Mrs. WAINWRIGHT. Mr. Chairman, as this has been a subject of the most intense feeling, and of very intense interest all over the United States, the Sage Foundation, which wants to get at the bottom of all the problems of the poor, sent a very capable young man all over the world to find out the rates of interest on all unsecured loans, because on secured loans the people think they have some possibility of return. He came to see me on his return—I think it was six or seven years ago—and he told me that the 2 per cent was almost like a natural law; that nobody loaned on unsecured loans anywhere, that he could find, under 2 per cent; that they loaned over 2 per cent in a great many countries; but under the protection that a great number of cities and countries give to the poor people, who need to borrow money, they would not loan their money under 2 per cent. I can get you the report from the Sage Foundation if you care to have it.

The CHAIRMAN. Senator Dillingham has a statement showing the rates that are being charged, and I think that would be unnecessary.

Mrs. WAINWRIGHT. I think that is the point we make here, that under 2 per cent they can not lend the money.

I would also like to say that we are like the Indians, who have to come to the Great Father. The President is not the Great Father of the people of the District of Columbia, but Congress is, and we have to come and appeal for the people who borrow, who are really our little children, for the help of Congress, which stands in the relation of the Great Father to the inhabitants of Washington.

Senator DILLINGHAM. Mrs. Wainwright, that suggests another question which perhaps may clear this matter a little further. You say you have a borrowing class. Is it or is it not the fact that where they are unable to borrow at 2 per cent legally here, they will borrow in spite of everything, at a higher rate somewhere else?

Mrs. WAINWRIGHT. They must. As Shakespeare says, "Their poverty and not their will consents."

Senator DILLINGHAM. Does your investigation indicate that fact?

Mrs. WAINWRIGHT. Yes, Senator. My experience teaches me that the people with calamities in their families, and in need, must have money. There is no "if"; it is "must." There is no place for them to go except over the bridge.

The CHAIRMAN. Is there anything further you gentlemen would like to say?

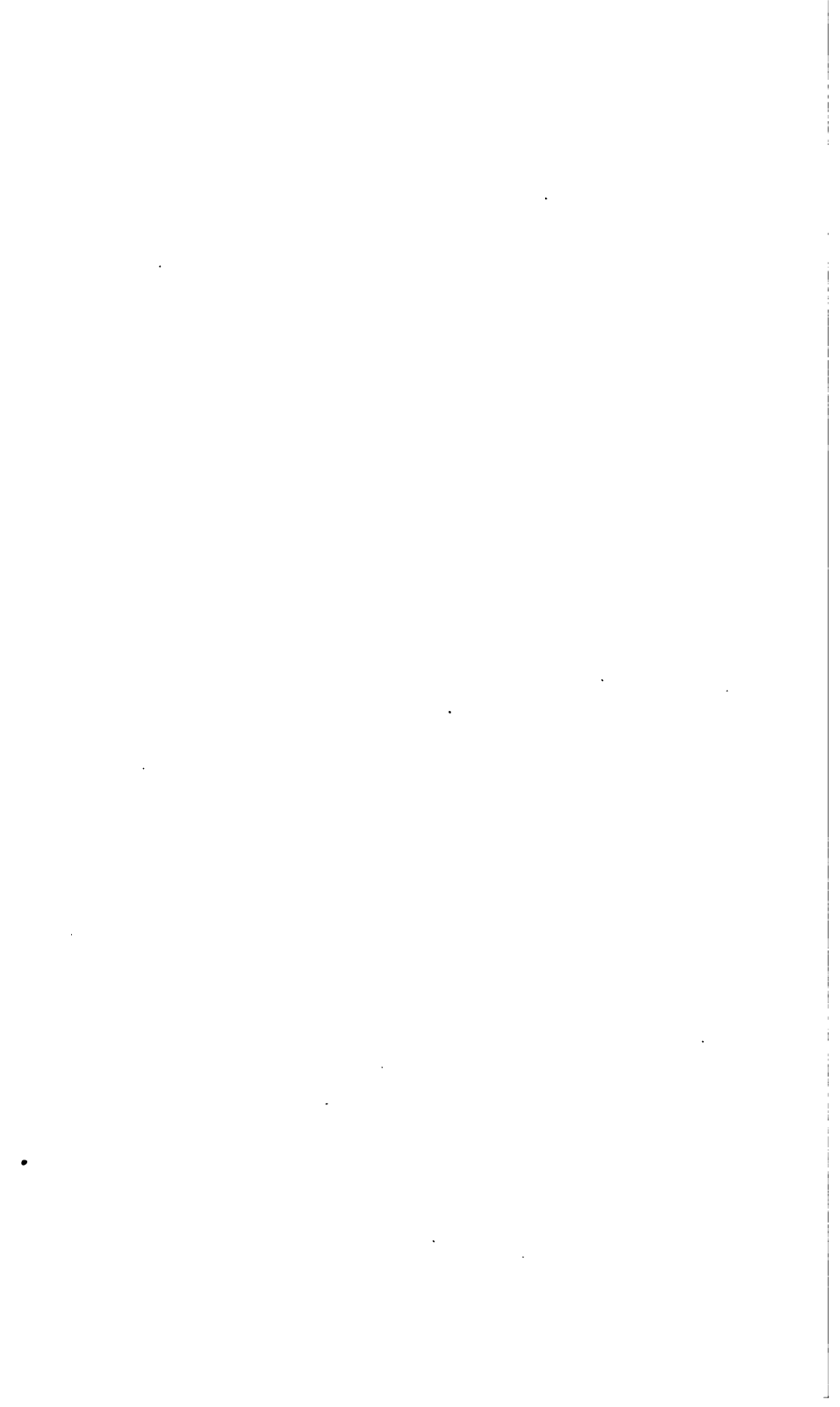
We can hear Mr. Evan H. Tucker right at this point.

STATEMENT OF MR. EVAN H. TUCKER, PRESIDENT OF THE NORTHEAST WASHINGTON CITIZENS' ASSOCIATION.

Mr. TUCKER. Mr. Chairman, as president of the Northeast Washington Citizens' Association, I would like to say that we have indorsed this measure, because we see there is a great necessity for this business. The people now are put to a great deal of inconvenience to get the necessary funds they must get, and they like to get it here. They would like to get it legally here. They are willing to pay the 2 per cent, and, as Mrs. Hopkins well says, it does not amount to 24 per cent a year, because they pay it back in installments. It amounts to only half of 24 per cent a year, and I am representing a section of the city where a great many of these people live, people of moderate means, who are forced, under certain emergencies, to get these loans. We indorse this heartily. In fact, when this matter came up to amend this present law, there was some complaint made that we had given these people so much trouble by driving out of business those loan sharks who were giving them the money, even at higher rates. They wanted to get it handily. Now they have to go to Virginia, where they used to get it here. I can say that I represent a good many of these people who find it necessary to get those funds.

The CHAIRMAN. If there is no one else to be heard the committee will stand adjourned.

(Thereupon, at 11.40 o'clock a. m., the committee adjourned.)



APPENDIX.

STATEMENTS AT FORMER HEARINGS OF VARIOUS
REPRESENTATIVES OF LOAN COM-
PANIES AS TO RATES.

APPENDIX.

THE FORMER HEARINGS OF THE
COMMISSIONERS OF LAND OFFICE,
IN RELATION TO THE
LANDS AS TO WATER.

The CHAIRMAN. That is 6 per cent a year?

Mr. LEONARD. Yes. Six per cent annual interest. My customary rate for the year is 30 per cent. The pawnbrokers' act gives them 36 per cent.

The CHAIRMAN. Do you charge any fees outside of that rate for examination?

Mr. LEONARD. None, whatever. When I take a chattel mortgage I do not charge notarial fees or for the examination. It is true that I do not take a chattel on a small loan, or anything like that. The point Mr. Brown makes in respect to that is well taken, that that would be unprofitable; but, as a matter of fact, few brokers in Washington City require chattel mortgages; so the objection as to fees for notarial and recorder service, and all that sort of thing, practically falls to the ground. Of course, the notary has to be paid.

The CHAIRMAN. I assume you have found the business profitable at the rates that you charge?

Mr. LEONARD. I want to be frank with the chairman, and say that I have taken a notation this morning from my books which shows that my profits for the last year were 7.9 per cent net. My losses last year were \$5,900, according to my books, on a capitalization of \$73,000, so that my losses were 8 per cent.

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STATEMENT OF MR. J. C. EXNICIOS.

The CHAIRMAN. I understand that the Society for Savings is represented here?

Mr. EXNICIOS. Mr. Chairman, I might say in reference to Mr. Finley, whose name was mentioned a moment ago, that Mr. Finley is working under a 6 per cent law, with graduated fees, in the State of Maryland, and they will average about 2 per cent on the loans. Mr. Finley is now before the Maryland Legislature, at Annapolis, endeavoring to have this law so specified and made sufficiently plain that there can not be any question as to the amount of fees on the various loans. That has been the difficulty in Maryland, and the law now before the State Legislature of Maryland is a 2 per cent law.

Mr. BROWN. What are the fees in Maryland?

Mr. EXNICIOS. They vary. They run from \$4 up to \$8.75. Mr. Finley is endeavoring to have that graded and bring the fees from \$1.50 up to \$5.

Mr. BALDWIN. Mr. Chairman, I would like to say, in reference to that, what I neglected to mention, that it is because Mr. Finley is now before the Maryland Legislature, at a hearing this morning, endeavoring to get these fees and rates fixed, that he is not here. Mr. Siddons is at an important lawsuit which was fixed for this morning, or he would have been here also.

Mr. EXNICIOS. Mr. Chairman, I will go right into the question of rates, to start with. The Society for Savings has been doing business for the past five years. We started at 3 per cent and reduced to 2½ per cent and a fee, then reduced it to 2 per cent and a fee, and finally brought it down to 2 per cent and no fee. Our expenses amount to \$800 a month. The amount of business we did last year was \$186,000. The gross earnings on that were something in the neighborhood of \$15,000. We have paid our losses, which amounted practically to 1 per cent on the amount of our whole business. The losses last year were \$600 on an investment of \$60,000. The average amount of our loans was \$45,000. Seventy per cent of our loans are over \$25, and 30 per cent \$25 and less. We have loans as low as \$10 and as high as \$375. We have made six loans this year in excess of \$250. The great majority of our loans to-day are \$50 loans and the average period for which it is loaned is five months. We charge 2 per cent flat on the \$50 for the first month, \$40 for the next month, and so on. With that we have been able to make money, and have been able to increase our business and to lay aside 1 per cent of our capital toward a surplus. We pay 10 per cent. The reason why we pay 10 per cent and not 6 per cent is because we are illegal, not illegal, and we have difficulty in securing money from any source at less than 10 per cent.

Now, as to charges, we make no charges of any kind, shape, or character. We do not believe in it.

The CHAIRMAN. What is the general class of loans and the security beyond the borrower's name?

Mr. EXNICIOS. In a majority of cases a chattel mortgage on his furniture and in-dorsed notes.

The CHAIRMAN. What per cent of chattels?

Mr. EXNICIOS. We started with chattels and took that up as an adjunct to our business on the 1st of May. We have run in the past six months an average of about 25 loans a month as chattels. Last year we made 4,000 loans. I can not very well give a fair average of the loans that will be made on chattels, because of the fact that we have not handled that business for a sufficient length of time. In the city of New

York they are making an effort to knock out fees. They had it originally 2 per cent and \$3 fees, and then reduced that to 2 per cent and a fee of \$2. The laws specifically provide that a fee should not be paid except once in the course of any 12 months on original loans. To avoid that, they made the loan only for 30 days, and so they are charging fees 12 times a year instead of one.

As to regulations, if you do not put in the hands of the District commissioners power to promulgate rules and regulations for the government of this business, the law itself is not going to do it. The lenders will avoid the law. We found from the Russell Sage Foundation that the difficulty in all of the States is the fact that the banking commissioners are the only ones that have supervision, and they have not got the time to give to it except as they make an examination of the banks, probably once in six months. If you permit the commissioners to go into any man's office and examine his business, not for the purpose of publishing it to the world, but for the purpose of seeing what amount is being charged, and follow that to its natural conclusion, you then have a regulation and a means of enforcing it. On the matter of publicity, they found it absolutely necessary to publish the condition of the business at the end of each 12 months. Whether the law does allow 2 per cent and a fee of 3 per cent, as the case may be, it is not too high. The condition of business then would justify the bank examiner in making recommendations that the rate be either decreased or increased.

Mr. R. G. Ross, Mr. Chairman, before Mr. Exnicios takes his seat. I would like to ask him what per cent of his loans go to laboring men, mechanics?

Mr. EXNICIOS. At the present time about 30 per cent. I should say

Mr. R. G. Ross. Mechanics?

Mr. EXNICIOS. Yes.

Mr. BALDWIN. I understand that Mr. Exnicios is on a purely business basis, and that there is no philanthropy or charity about it?

Mr. EXNICIOS. No; I am in business for the purpose of endeavoring to better my own condition and to do as much good along that line at the same time as I can.

STATEMENT OF MR. N. L. CHEW.

Mr. CHEW. Mr. Chairman, I represent the firm of N. L. Chew & Co. I am going to briefly state to you what my rate was last year and what my gross income was.

The CHAIRMAN. What is your business?

Mr. CHEW. I am a note broker and pay a \$100 license for the privilege of doing business. My total business is \$210,000. I mean that I have loaned that much money by turning it over. I have a capital of \$51,000. My total income was \$15,053 for the year, and I am on an absolute 3 per cent basis. I loan to men \$10 for 30 cents for 30 days. I have been connected with the Mercantile Savings Association, and also with the Society for Savings, and was one of its organizers. I am speaking plainly, as I have found the business; and I am frank to say that I do not believe the business can be conducted and be conducted profitably for a penny less than 3 per cent a month. Now, in this instance I want to say that a pawnbroker is permitted to charge 3 per cent, and he has the watch or the diamond or the property in his possession. I have not got a chattel. I never have taken a chattel. I have simply a piece of paper, a promise to pay, with an indorser. What security have I? I have none, and there is not much in it when you pay for your losses and your operating expenses. I am willing to furnish you with a sworn statement as to my business, and as to my gross income, and as to my expense.

Senator JOHNSTON. What were your losses last year?

Mr. CHEW. I charged out last year five hundred and some odd dollars. I don't know exactly how much.

Senator JOHNSTON. What were the expenses of your business?

Mr. CHEW. After I had charged out the interest and everything else I had about 2 1/2 per cent on the amount of my gross business. In other words, my gross—

The CHAIRMAN. What per cent did you have on your capital?

Mr. CHEW. About 2 1/2 per cent.

* * * * *

STATEMENT OF C. C. TUCKER, ESQ.

Mr. TUCKER. Mr. Chairman, I am a lawyer. There are three bills, two of them providing that usury hereafter shall be a criminal offense in the District and the third one simply regulating the business of loaning money. As to the third bill, we have no objection at all on behalf of those we represent.

Senator JOHNSTON. What is the number of that bill?

Mr. TUCKER. That is the commissioners' bill, S. 2296.

Senator LONG. Whom do you represent?

Mr. TUCKER. A money-lending establishment in this District. Shall I give the name?

Senator LONG. Yes.

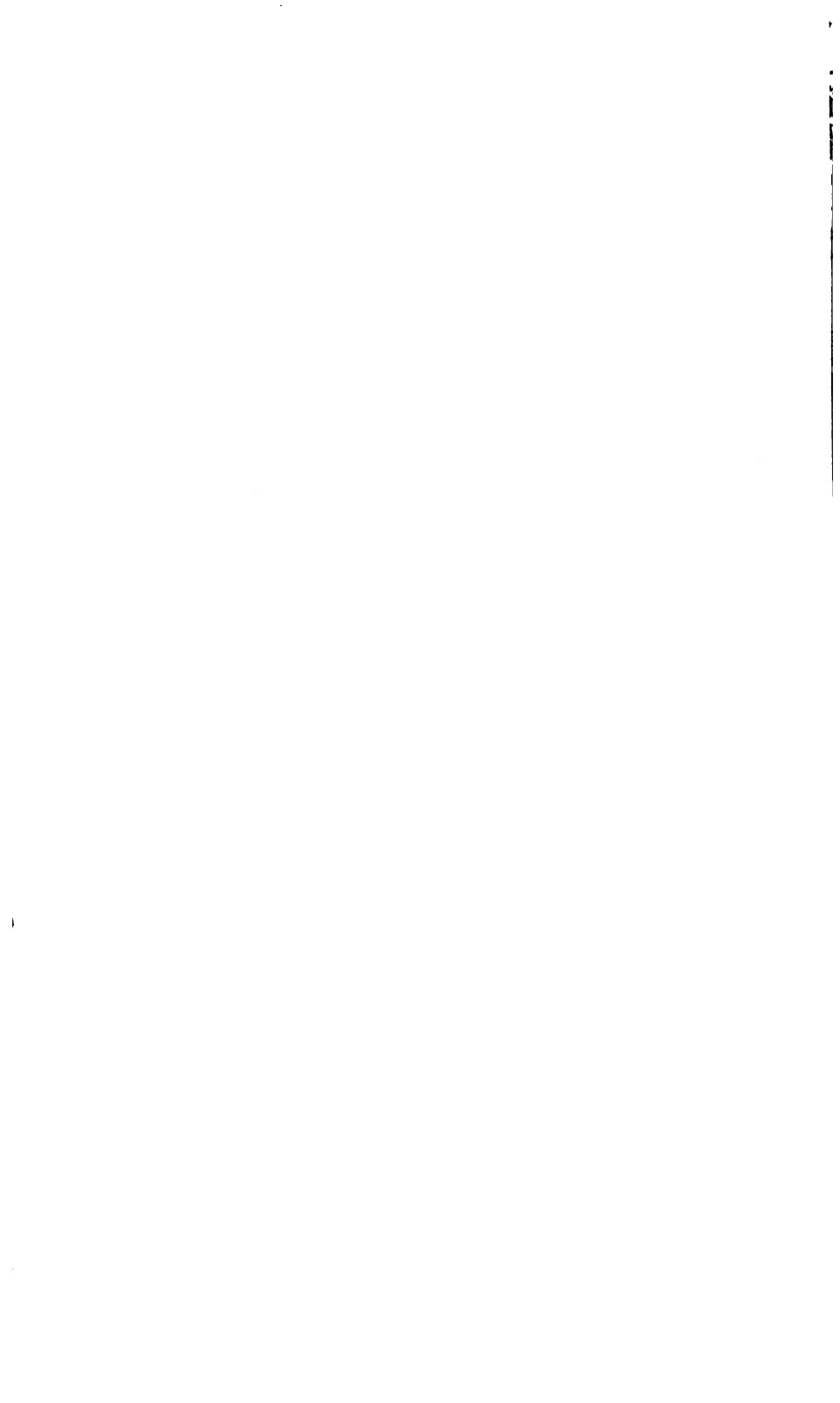
Mr. TUCKER. George D. Horning.

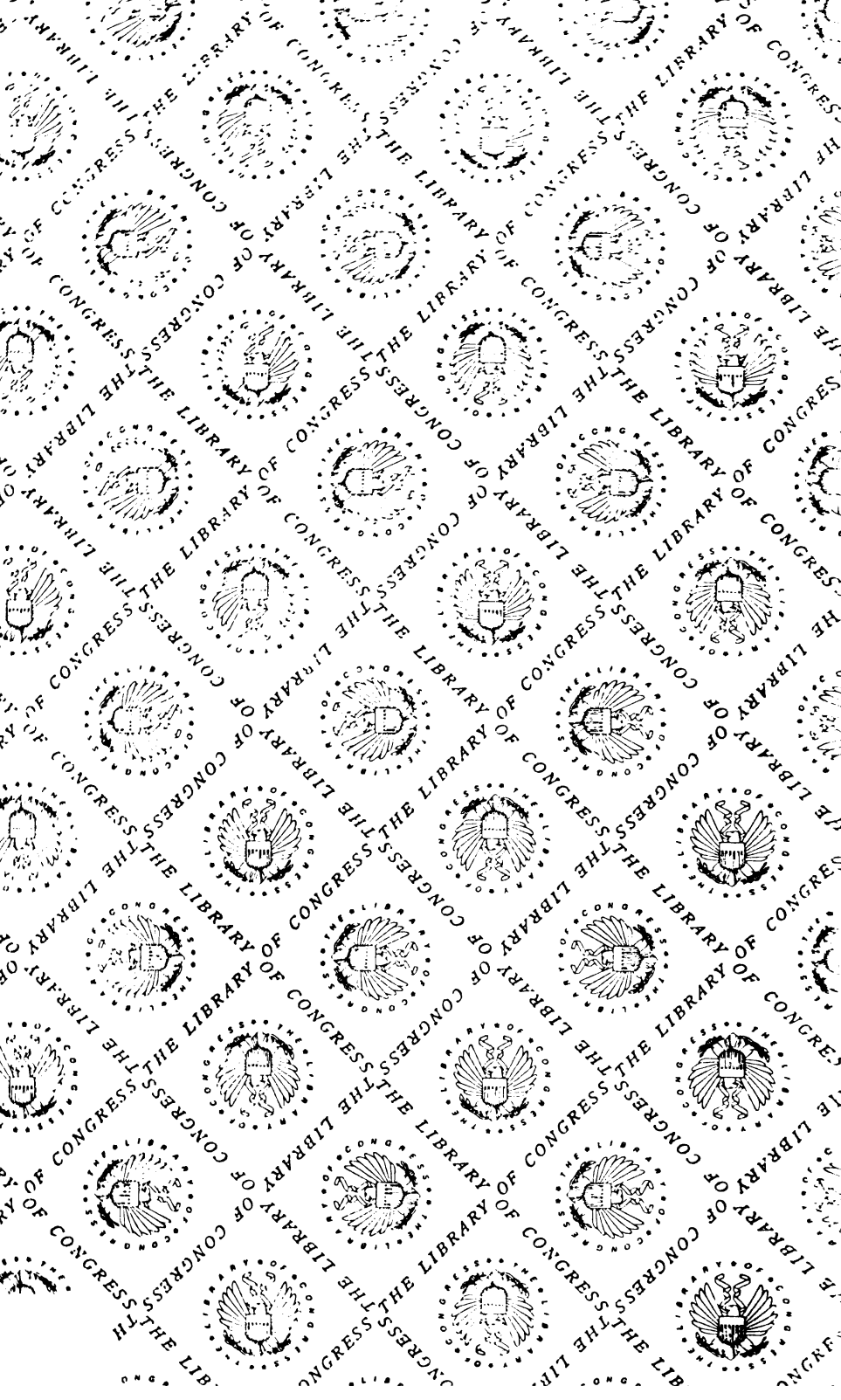
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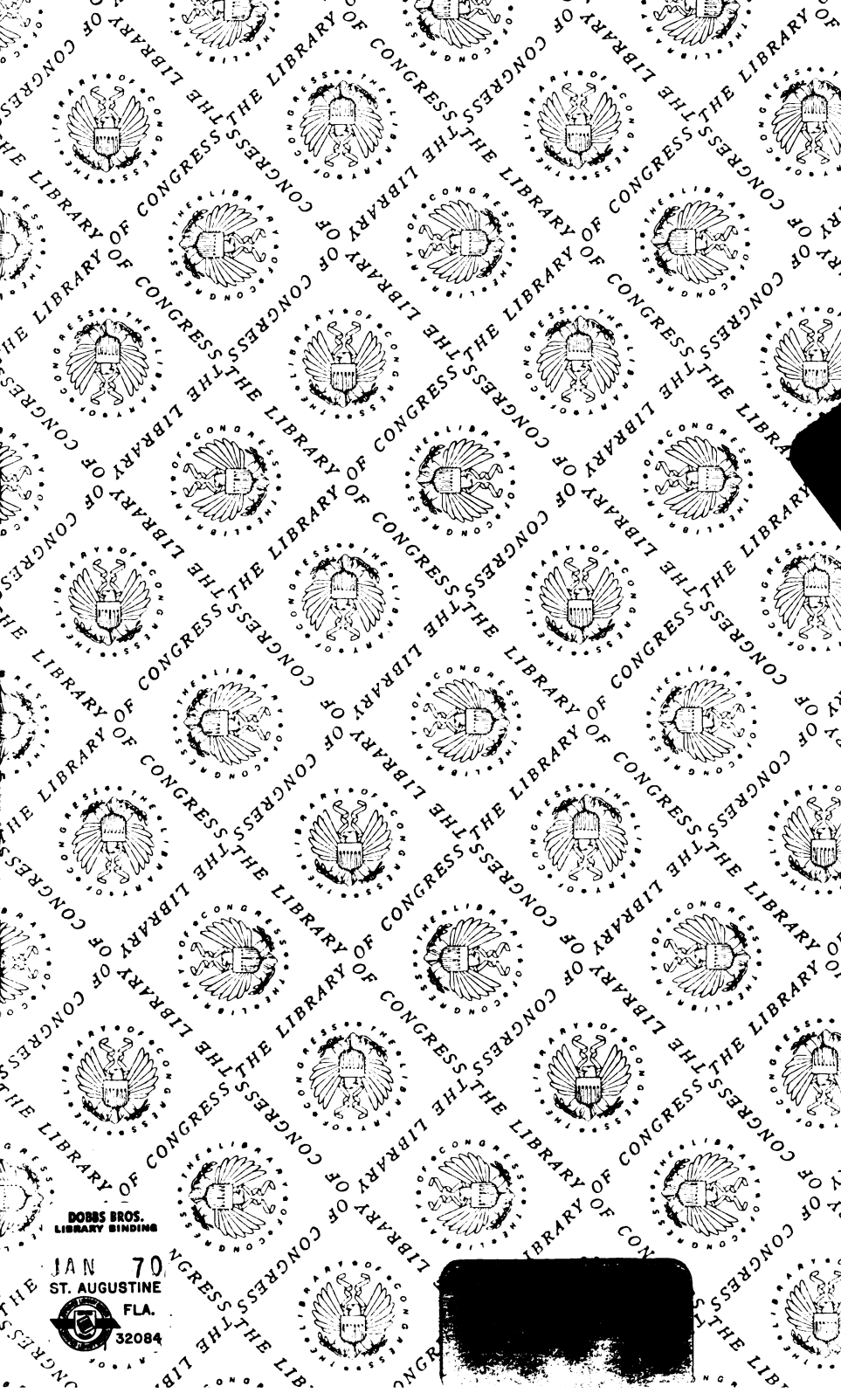
Senator JOHNSTON. What rate do you suggest?

Mr. TUCKER. I should say that 2 per cent a month for small loans would be a fair and reasonable rate of interest. For instance, a person wants \$20 for a month. Two per cent would be 40 cents. The reason I suggest that on this short-time loan a large rate of interest is necessary is this, and I know this is a matter of practice: A man comes in to borrow \$20, or \$50, or \$100. Some knowledge has to be obtained of that man's standing and ability to pay debts. There is a local institution known as Cottrell & Co., which is similar to Dun and Bradstreet, only it is local in its nature, that charges so much for each report on parties it has listed. They charge anywhere from 50 cents to 75 cents for a report. Such a report has to be had upon that person. Then there is a bookkeeping expense and other expenses, so that no money lender I know of could afford to make a short loan for a small amount for, I should say, less than 2 per cent a month on small sums.







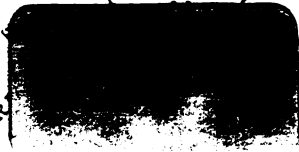


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